THE RELATIONSHIP BETWEEN ACCOUNTING INFORMATION AND STOCK PRICES MOVEMENT IN NAIROBI SECURITIES EXCHANGE

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Abstract

The emergence of Nairobi Securities Exchange in the last two decades has experienced integration as well as segmentation. It has not been successful in attracting a wider range of transactions and most people are unaware of its operations as well as the stock price movement. The current study sought to find out if there is any relationship between selected accounting variables and stock prices movement in NSE. The study limited itself on earnings per share, dividend per share, book value per share and value of the firm. Correlation design and census sampling technique was used to select all the companies listed in NSE in 2009-2013. Descriptive statistics such as mean and standard deviation was used to attain the objective and data was presented inform of tables. Results of the study revealed that there was a positive and significant relationship between EPS, BVPS, DPS and firms' value. Listed companies should expand their asset base through acquiring new assets. Measures should be taken to increase the earnings before tax so as to increase the earnings attributable to ordinary shareholders. More so the amount of retained earnings should be increased in an organization so as to increase the book value per share.

Key words: Earnings per Share, Stock Price Movement, Book value per share, Firm size.

1.0 Introduction

There is a consensus among researchers that all companies are formed with a primary purpose of wealth creation and increase in profit. All firms should be aggressive enough to increase their wealth and have enough policies which explain how the wealth will be share among the investors. For publicly listed companies its value can be derived from the share prices which are determined by the economic conditions. According to Oruru (2010) stock prices can be influenced either by systematic or unsystematic conditions. Systematic factors are factors which influences the security prices among all listed companies, these factors cannot be eliminated through diversification since they affects all firms. Non-systematic factors are factors which influence a specific industry; these characteristics can be eliminated through diversification. Non-publicly listed company's derivers their value using volatile means such as accounting variables, therefore accounting variables can be a variable of interest as determinants of stock prices. The procedure in which we measure and communicate economic events on business management, investment, monitoring and evaluating

how the money raised is used in a business sector is known as accounting information. This information originates from different accounting ratios such as stock market ratios, liquidity ratios, efficiency ratio and debt management ratios. In the current study accounting information will be defined by stock market ratios which are earnings per share, dividend per share, divided cover among others.   In contrast non-accounting information refers to other information which include speculation, forced sales, gambling and rumours which may have the basis of determining share prices (Cheng, Shamsher, and Annuar, 2008). Khanagha (2011) posited that accounting standards as regulatory devices are the most importance factors in share price determination in the capital market. Islam and Dotty (2015) argued that there in order to ensure there is sufficient knowledge among investors then the regulators and policy makers ought to "control manipulation of stock prices, publishing of proper financial statements, regulate the dividend policy, recruit technical experts and ensure there is proper settlement of all trade transactions to minimize the chances of stock crashes". Sharma (2011) argued that financial statement information are key determinants of equity share prices since they poses strong explanatory powers of the stock prices. Therefore, there is need to reduce the level of information asymmetry among investors as such to minimize the chances of mispricing securities in the securities exchanges. There are different approaches which are followed to value equity shares. Different academicians and practitioners have attempted to value an equity share through the use of accounting information which includes earnings per share among others. Bhatt (2012) argued that most companies are geared towards increasing their market share which will impact their earnings positively and consequently their equity value which will be reflected as their equity in securities exchanges. Stephen and Okoro (2014) in Nigerian case argued that sustainability of Nigeria securities exchange can be attained through improved level of sharing accounting information with the sole purpose of increasing investors' confidence and consequently improve the level of liquidity in securities market. Moreover, Stephen and Okoro echoed that policy makers in the capital market ought to develop rules and regulation aimed at increasing the level of information disclosure and also compel all listed companies to adhere to IFRS. Through the adoption of IFRS listed companies will "compel diligence, accountability and responsibility in preparation and application of accounting standards".

1.2 Problem Statement

Capital market has gained dominance as sources of long term sources of finance among companies. Moreover, these market acts as a link between deficit saving units and surplus saving units with the prior seeking financing opportunities while the former are concerned with investment opportunities. Both current and potential investors are concerned with stock prices movement. The incentive of any investor to venture into the stock market is the expected returns from the stock in question. Stock returns is the yield an investor gets a stock over a given period which is sometimes considered to be synonymous with stock price (Mirie, 2015). Stock return comprises of both dividends and capital gain (Davis, 2001). Dividends are based on profits which is a function of several accounting variables. Capital gain is the difference between the selling price and purchase price of a stock. In an efficient market the market price of a stock reflects all the available information of a company including accounting information. Based on the foregoing discussion there is a causal relationship between accounting information and stock prices movements. There are several studies which have been carried out with the sole purpose of examining the relationship between selected accounting variables and stock prices movements. These studies have registered

similar results supporting the relationship between selected accounting information (dividend per share, earnings per share, dividend cover, book value per share, firm size) and share price movements, (Sharma, 2011; Stephen and Okoro, 2014; Islam and Dotty, 2015). Although these studies have similar results they have gaps on the choice of methodology since they have consistently applied ordinary least squares method on panel data rather than using fixed or random effects regression analysis. Moreover, these studies have been carried out on different countries and economic conditions thus the companies operating in those countries maybe applying different accounting treatment on the preparation of financial statements. Therefore, the study sought to examine the relationship between selected accounting variables and stock prices movements among companies listed in NSE which are regulated by similar regulation in relation to the preparations of their annual financial statements.

1.3 Objective of the Study

The main objective of the study was to investigate the relationship between selected accounting variables and stock prices movement among companies listed in NSE. Specifically the study sought:

  i.   To establish the relationship between earnings per share and share price movement among companies listed in NSE.
 ii.   To determine the relationship between book value per share and stock prices movements among companies listed in NSE.
iii.   To examine the relationship between dividend per share and stock prices movement among companies listed in NSE.
 iv.   To determine the relationship between firm value and stock price movement among companies listed in NSE.

2.0 Review of Literature

This section analysis the literature related to the relationship between selected accounting variables and stock prices movements (SPM). The main source of literature was past studies in relation to the four objectives of the study.

2.1 Efficient Market Hypothesis

An efficient market is market where the prices reflect all the available information (Fama, 1970). Information in an efficient market can be described as any information that has the capacity to influence a change in the stock prices, this information is unknown currently but it will appear future randomly (Muiva, 2014). The levels of information efficiency can be measured depending on how first the share price reacts once any news is released into the market. The theory is appropriate for the study since there is news such as dividend announcement which are continuously reflected to the market.

2.1 Conceptual Framework

The diagrammatic representation of the study variables is known as conceptual framework. In this study the independent variables are earnings per share, book value to market ratio, dividend cover and operating cost ratio. Stock prices movement was measured as the annual price per share. The

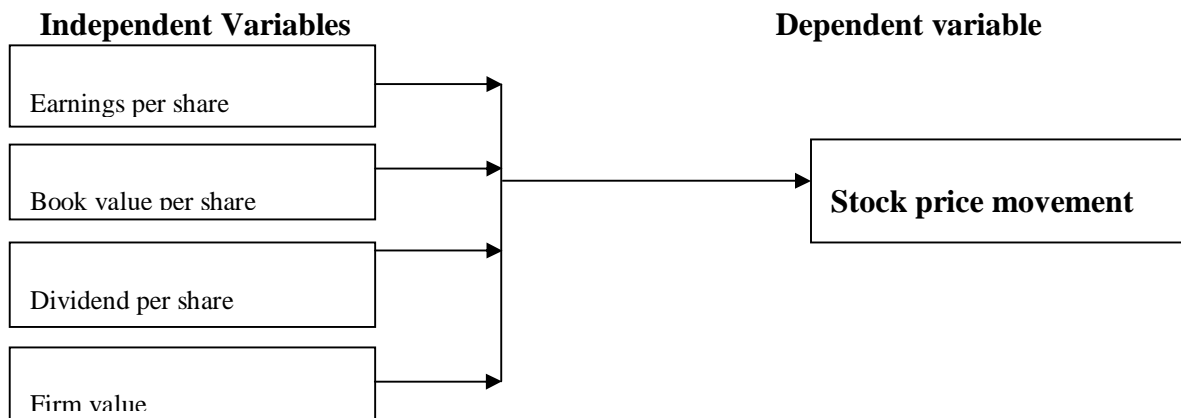hypothesised relationship between independent variables and dependent variable is as shown in Figure 2.1.

Independent Variables   **Dependent variable**

| Earnings per share |
| Book value per share |
| Dividend per share |
| Firm value |

| Stock price movement |

Figure 2.1 Conceptual Framework

2.2 Earnings per Share (EPS) and Stock Prices Movements (SPM)

Stephen and Okoro (2014) investigated the determinants of stock price movement among companies listed in Nigeria. Purposive sampling technique was used to select a sample of 99 which were listed in 2001 to 2011. Secondary data was collected from audited annual financial statements. Ordinary least squares (OLS) were used to analyse the data. Results of the study found a positive significant relationship between earnings per share and SPM. Moreover, the study found that among EPS, BVMS and dividend cover, EPS had the most significant influences on SPM. The choice of purposive sampling was appropriate but the most appropriate method of data analysis would have been panel data analysis where either random or fixed effects regression modelling would have been use to investigate the relationship. Bhatt (2012) examined the impact of earnings per share on market value of an equity share in Indian market. The study used judgemental sampling to select 50 companies which were listed and ranked highly according to Business today survey of 2010. Companies listed in both banking and finance sector were excluded from the study. Secondary data was collected for a period spanning five years in 2006-2011. OLS regression was used to examine the impact of EPS on SPM whereby annual comparative analysis was used to compare the findings. Results of the study found a positive impact of EPS on SPM for three years under consideration. The choice of both correlation and regression analysis was appropriate though it would have appropriate to use either fixed or random effects regression analysis rather than OLS to examine the nature of the relationship. Velnampy and Pratheepkanth (2011) studied earnings per share and its impact on share price in Milanka companies in Colombo Stock Exchange (CSE), Sri Lanka. Simple random sampling was used to select 25 companies from 235 companies which were listed in CSE in 2006-2010. Stock prices movement was determined using Market Adjusted Abnormal Return (MAAR). OLS and correlation analysis was used to analyse secondary data retrieved from annual financial statements. The study found that there was a positive significant relationship between stock return and earnings per share. Moreover, the study found that 56% of stock price movements can be explained by earnings per share while the remaining percentage can be explained by other

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factors which were excluded from the model. Chang et al., (2008) investigated the relationship between stock prices and earnings per share among companies listed in Taiwan. The study applied panel Cointergration analysis.

2.3 Book Value per Share and Stock Prices Movement

Sharma (2011) examined the determinants of equity share prices in India for the period of 1993-98 and 2008-09. The study hypothesised that stock prices are influenced by book value per share, dividend per share, earnings per share, price earnings ratio, dividend yield, dividend payout ratio and firm size. Multi stage sampling technique was used to select 115 companies which were listed in manufacturing sector. Both correlation and regression analysis were used to analyse the data. The study findings found that there is a significant relationship between earnings per share, dividend per share and book value per share and stock prices. Stephen and Okoro (2014) found that companies listed in Nigeria had a positive significant influence on stock prices movements.

2.4 Dividend per Share and Stock Prices Movement

Munyua (2015) examined the effects of dividend policy among firms listed in Nairobi Securities Exchange. Census survey sampling technique was used to select all 61 companies listed in 2013-2014. Both correlation and regression analysis were used to analyse the data. The study hypothesised that stock prices are functions of dividend policy, leverage and profitability. The study found a strong positive significant relationship between share prices movement and dividend per share. Since the data was panel in nature the choice of a three year period was so small, it would have been appropriate to increase the period to at least five years. Moreover, the choice of OLS was not appropriate since the model does not consider the time effects prior to examine the effects of dividend policy on SPM, it would have been appropriate to use fixed or random effects regression model upon testing their applicability while using Hausman test. Inyiama and Ugha (2015) evaluated the relationship between financial ratios and share price movements among companies listed in Nigeria securities exchange in oil and gas sector. Judgemental sampling was used to select companies listed in oil and gas sector in 2002 to 2014. Correlation and regression analysis design were applied to examine the relationship between dividend per share and share price movement. Secondary data was collected among companies which were listed and actively trading within the period under consideration. Time series diagnostic tests such as Augmented Dickey Fuller (ADF) test for stationarity, pairwise Granger causality and Johansen Cointergration test were carried out. The study found that there was a negative but insignificant relationship between dividend per share and SPM. Islam and Dotty (2015) studied the determinants of stock price movements among commercial banks listed in Chittagong stock exchange, Bangladesh. A sample of 29 banks listed in 2010 – 2011 was selected purposively. Both correlation and OLS were applied to analyse the cross sectional secondary data retrieved from annual audited financial statements. The study found a positive significant effect of both dividend and retained earnings on stock prices movements. Moreover, the study found a significant moderate explanatory power of the duo on SPM. Hashemijoo, Ardekani and Younesi (2012) examined the relationship between dividend policy and share price volatility with a focus on consumer product companies listed in Malaysian stock market. For this purpose, a sample of 84 companies from 142 consumer product companies listed in main market of Bursa Malaysia were selected and the relationship between share price volatility with two main measurements of dividend policy, dividend yield and payout ,were examined by applying

multiple regression for a period of six years from 2005 to 2010. The primarily regression model was expanded by adding control variables including size, earning volatility, leverage, debt and growth. The empirical results of this study showed significant negative relationship between share price volatility with two main measurements of dividend policy which are dividend yield and dividend payout. Moreover, a significant negative relationship between share price volatility and size is found. Based on findings of this study, dividend yield and size have most impact on share price volatility amongst predictor variables.

2.5 Firm Value and Stock Prices Movement

Value of the firm plays an important role in an investment criterion. Large companies generally offer better investment opportunities to investors than the smaller ones. The companies by virtue of their higher production generally occupy a stronger and dominant position in the stock market. The shares of large companies are actively traded in the stock exchange; they provide more liquidity and marketability to the investors. Thus the temptation to buy shares of large companies leads to increase its market price of share. The value of the firm can be measured in many ways, e.g. through turnover, paid-up-capital, capital employed, total assets, net sales, etc, (Sharma, 2011). The measure to be selected precisely depends upon the nature of the problem at hand. In the present study value is measured with the help of net worth and total sales. The measure of net worth is used to calculate the value of the firm because net worth reflects the earning capacity of the firm to the investors.

2.6 Summary

Stock market deals with the exchange of securities issued by companies that are publicly quoted in the stock market. Therefore, this is an important sector in determination of both economic growth and development. Shareholders are mainly geared towards wealth and profit maximisation. At the end of every financial year they are entitled to participate in sharing of company through dividend which is determined as the reminder of the earnings attributable to shareholders. If a company retains more of its earnings then there will be growth in the book value per share which can precipitate investors to demand a certain stock. Moreover, firm size influences the market share of an organization. An organization with a huge asset base can command a big market share which will increase their business performance and consequently increase shareholders wealth. Although, different studies have showed conflicting results on the relationship between accounting information and share prices movements. Majority of these studies have gaps in the choice of methodologies since they have applied ordinary least squares method on panel data the current study sought to apply either fixed or random effects to examine the relationship between selected accounting variables and share prices movement among companies listed in NSE. Moreover, most of these studies have been carried in different economies and countries thus there are differences on accounting reporting guidelines though financial reporting are guided by similar international financial reporting standards.

3.0 Research Methodology

The current chapter discusses the methodology that was employed in the study. The key aspects being discussed in the current chapter are research design, sampling frame and sample size, data collection instruments, data analysis and the operationalization of the study variables.

3.1 Research Design
According to Kothari (2011) a guideline showing the steps to be followed to answer the research questions is known as research design. The current study adopted correlation research design, (Oso and Onen, 2009) argued that correlation design is appropriate if the study seeks to determine the causal relationship between dependent and independent variables. The design was appropriate for the study since the study sought to find out the causal relationship between selected accounting variables and stock prices movements.

3.2 Data and Data Analysis
The study used secondary data sources to gather information relevant in reaching at the research objectives. The secondary data was collected from annual audited financial statements of listed companies available in Capital Market Authority (CMA) authority and in company websites. Similar studies such as Githira and Nasieku (2015) adopted DCI to collect secondary data from annual audited financial statements among companies listed in East Africa securities exchanges. DCI was composed of five section; annual average security prices, annual earnings per share, book value per share, dividend per share and firm size (total assets).

The current study sought to investigate the relationship between selected accounting variables and stock prices movement among companies which are listed in NSE. To achieve this, secondary data retrieved from annual audited financial statements was analysed using both descriptive and inferential statistics, through the use of Microsoft Excel and E views version 9. Descriptive analysis methods include mean, median, minimum, maximum and standard deviation. In addition, Jarque-Berra test was used to test the normality of the data, the test assumes that the data is not normally distributed and if the p value is greater than 0.05 then the null hypothesis is rejected and consequently we have enough evidence to conclude that the data is normally distributed. Both skewness and kurtosis was used to show how the data is distributed. Inferential statistics used in the study includes correlation analysis which is meant to show the strength of the relationship between stock prices movements and selected accounting variables. Moreover, regression analysis was carried out to show the nature of the relationship between accounting information and stock prices movements. The conceptualised study model is as follows:

$$y_{i,t} = \alpha + \beta_1 x_{1i,t} + \beta_2 x_{2i,t} + \beta_3 x_{3i,t} + \beta_4 x_{4i,t} + \beta_5 x_{5i,t} + \acute{\varepsilon}_{i,t}$$

y = Stock prices movement, x_1 = Earnings per share, x_2 = Book value per share, x_3 = Dividend per share, x_4 = Firm size, $\acute{\varepsilon}_{i,t}$ = error term

Table 3.1 Operationalization of Variables

	Variables	**Measures**
Y	Stock prices movement	Annual average stock prices
X_1	Earnings per share	Total earnings / Outstanding number of shares
X_2	Book value per share	(Shareholder equity value+ Reserves + Retained earnings)/ Outstanding number of shares
X_3	Dividend per share	Total annual dividend/ Outstanding number of shares
X_4	Firm value	Natural logarithm of total assets

4.0 Results and Findings

4.2 Descriptive Statistics

The average share price movement per annum averaged had both upward and down ward trends. In 2011 the companies recorded the highest price variation of Kshs. 10 while in 2013 the highest price decrease was recorded. This implies that there were huge decline in 2013 which could have been associated with the general elections.

Table 4.1 Share Price Movement

Year	N	Minimum	Maximum	Mean	Std. Deviation
2009	45	-0.44	3.00	0.33	0.61
2010	45	-0.77	3.00	0.26	0.51
2011	45	-1.35	10.00	0.48	1.65
2012	45	-0.72	9.00	0.42	1.39
2013	45	-3.90	5.60	0.31	1.04

The average earnings per share had both upward trends since 2009 though some firm's earnings per share were negative with the highest negative recorded in 2011 and the highest EPS in the same period. This implies though some companies were making losses in the period under consideration there were other which registered a good return for their shareholders.

Table 4.2 Earnings per Share

Year	N	Minimum	Maximum	Mean	Std. Deviation
2009	45	-8.85	52.9	7.4	10.8
2010	45	-8	100.1	11.4	20.9
2011	45	-46.74	117.7	9.9	21.6
2012	45	-10.81	97.6	9.2	16.3
2013	45	-8	94.4	10.9	17.0

Results in Table 4.3 show the average change in book value per share in 2009 to 2013. The average wealth of the shareholders among companies listed in NSE increased up to 48.86 in 2011 from a minimum of 34.01 in 2009. After 2011 the book value per share declined and then increased in 2013. There is need to evaluate the role of election mood in stock prices movements since the value of the share declined and increased after successful peaceful election.

Table 4.3 Book Value per Share

Year	N	Minimum	Maximum	Mean	Std. Deviation
2009	45	0.01	260.58	34.01	46.57
2010	45	0.01	582.55	43.30	77.10
2011	45	-3.96	426.58	48.86	85.82
2012	45	0.01	145.25	34.90	42.46
2013	45	0.00	193.67	39.52	51.44

Results in Table 4.4 revealed that dividend per share decreased in 2010 and 2011 before attaining an average pick in 2012. It was important to note that though in 2012 the average dividend amount was the highest it also had the widest deviation implying that some companies paid very amounts as compared to others.

Table 4.4 Dividend per Share

Year	N	Minimum	Maximum	Mean	Std. Deviation
2009	45	-3.50	56.22	5.06	10.82
2010	45	-3.50	52.37	3.93	8.69
2011	45	-26.74	42.88	3.21	8.47
2012	45	-3.50	198.81	7.52	29.48
2013	45	-3.50	55.27	3.41	8.52

The descriptive analysis for the firm size which was operationalized as natural logarithms of firms total assets. Results in Table 4.5 revealed that the asset base among the quoted companies in East Africa had an upward trajectory with the highest being in 2013. It was important to note that the variations in the asset base were not wide since the highest was 2.23 and the least 2.16.

Table 4.5 Firm Value

Year	N	Minimum	Maximum	Mean	Std. Deviation
2009	45	8.79	19.11	15.66	2.16
2010	45	8.98	19.34	15.83	2.17
2011	45	9.08	19.62	15.92	2.22
2012	45	9.28	19.72	16.02	2.20
2013	45	9.35	19.78	16.16	2.23

4.3 Inferential Statistics

Correlation analysis was carried out to examine the strength of the relationship between stock price movement and earnings per share, book value per share, dividend per share and firm size. Results in Table 4.6 shows that there was a positive and significant relationship between share price movement and earnings per share (rho=0.12, p value <0.05). Therefore, it can be implied that a unit increase in earnings per share increased the share price by 0.12 units.

Secondly, there was a positive and significant relationship between book value per share and stock price movement (rho=0.093, P value <0.05). This implies that a unit increase in book value per share increase the share price movement 9.3%.

Thirdly, the results revealed that there was a positive and significant relationship between dividend per share and share price movements (rho = 0.007, p value <0.05). This implies that a unit change in DPS increased the share price movements by 0.007 units.

Finally, there was a positive and significant relationship between firm size and share price movements (rho = 0.130, p value <0.05). This implies that a unit change firm size increases the share price movement by 13%.

Table 4.6 Correlation Analysis

	SPM	EPS	BVPS	DPS	Firm size
SPM	1				
EPS	0.12***	1			
	0.001				
BVPS	0.093**	.584**	1		
	0.000	0.000			
DPS	0.007***	0.089	-0.038	1	
	0.000	0.181	0.571		
Firm size	.130**	-0.038	-0.09	-0.067	1
	0.00	0.566	0.175	0.311	

4.4 Regression Analysis

Regression analysis was carried out primarily to examine the nature of the relationship between dependent and independent variables. Moreover, the analysis was used to test the study hypothesis as stated in chapter one. In this section model summary which shows R squared (coefficient of determination), ANOVA which shows the F statistics test and regression coefficient summary which shows the nature of the relationship between dependent and independent variables.

Results in Table 4.7 shows that the model goodness of fit was 44.09% as indicated by an R squared which implied that 44.09% changes in share prices movement can be explained jointly by DPS, BVPS, EPS and firm size. The remaining percentage can be explained by other factors which were excluded from the model.

Table 4.7 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.664a	0.4409	0.4331	1.09218

a Predictors: (Constant), DPS, BVPS, firm size, EPS

Analysis of Variance (ANOVA) consists of calculations that provide information about levels of variability within a regression model and form a basis for tests of significance. The "F" column provides a statistic for testing the hypothesis that all $\beta \neq 0$ against the null hypothesis that $\beta = 0$. From the findings the significance value is .003 which is less that 0.05 thus the model is statistically significance in predicting how DPS, BVPS, EPS and firm size influences stock price movement among companies listed in NSE.

Table 4.8 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	19.959	4	4.99	4.183	.003b
	Residual	266.009	223	1.193		
	Total	285.968	227			

a Dependent Variable: spm
b Predictors: (Constant), DPS, BVPS, firm size, EPS

Results in Table 4.9 were used to test the hypothesis of the study. The first hypothesis of the study stated that there was no significant relationship between EPS and share price movement. The findings revealed that there was a positive and significant relationship between earnings per share and stock price movement ($\beta = 0.017$, p value <0.05). This implies that a unit increase in earnings per share increases share prices by 0.017.

The second hypothesis of the study stated that there was no significant relationship between book value per share and stock price movement. There was a positive and significant relationship between book value per share and stock price movement ($\beta = 0.004$, p value <0.05). This implies that a unit change in book value per share increases stock price movements by 0.004 units.

The third hypothesis of the study stated that there is no significant relationship between dividend per share and stock price movements. Results revealed a positive and significant relationship between dividend per share and stock price movements ($\beta = 0.002$, p value <0.05). This implies that a unit change in dividend per share increases the stock price movement.

The fourth hypothesis of study stated that there is no significant relationship between firm size and stock price movement among companies listed in NSE. Results revealed a positive significant relationship between firm size and stock price movements ($\beta = 0.060$, p value <0.05). This implies that a unit change in firm size increases stock prices movement by 0.06 units.

Table 4.9 Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-0.577	0.546		-1.058	0.291
	EPS	0.017	0.005	0.267	3.326	0.001
	BVPS	0.004	0.001	0.240	2.988	0.003
	DPS	0.002	0.005	0.032	2.491	0.000
	Firm size	0.060	0.022	0.116	2.789	0.005

a Dependent Variable: SPM

From the regression findings, the substitution of the equation

$(Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon)$ becomes:

$$Y = -0.577 + 0.017 X_1 + 0.004 X_2 + 0.002 X_3 + 0.060 X_4 + \varepsilon$$

5.0 SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The current chapter presents discussion of the findings, conclusion and recommendation drawn from the study findings. The main purpose of the study was to establish relationship between selected accounting variables on stock prices movement among companies listed in Nairobi securities exchange. Specifically the study hypothesised that there is no significant relationship between earnings per share, book value per share, dividend per share, firm size and stock prices movement among companies listed in Nairobi Securities Exchange. In order to test the hypothesis secondary data was collected among 46 companies which were listed and actively trading in 2009-2013. Descriptive and inferential statistics were used to analyse the data and it was presented in tabular form.

5.2 Summary

Results of the study showed an upward and downward movement in share prices movement with the highest price change averaging 48%. A close scrutiny of the study findings on the independent variables revealed that there were, having upward movement with the firm size maintaining upward trajectory throughout the five year period.

Regression analysis revealed that earnings per share, book value per share, dividend per share and firm size had a joint significant explanatory power and when combined they explained 44.09% of the changes in share price movement amongst the companies listed in Nairobi Securities Exchange. Both correlation and regression analysis showed that all the independent variables had a positive and significant relationship with the dependent variable.

There was a positive and significant relationship between earning per share and stock price movement this was in support of signalling hypothesis which argues that the amount of earnings earned by shareholders can be used to signal good or bad news. There was a positive and significant

relationship between book value per share and share price movement. This can be deduced from the fact that an increase in share prices increases the shareholders wealth.

There was a positive and significant relationship between dividend per share and stock prices movement. These findings were in support of dividend valuation model which shows that an increase in the amount of annual dividend paid per annum increases the shareholder wealth. More so, the results are in support of signalling hypothesis which argues that an increase in dividend increases the share value which will ultimately increase the shareholders wealth. There was a positive and significant relationship between firm size and stock price movement. The findings were in support of alternative valuation approaches such as net asset value since the value of a company increases as the company increases its asset base.

5.3 Conclusion

From the findings the study concludes that books of account can serve as good information source for current and potential investors who are willing to invest in the securities market.

According to different dividend theorists there are different categories of investors those interested in capital gains versus those interested in dividend yield. There is need to understand the investors needs so as to ensure there are optimal benefits to all investors in the securities exchanges. Although the increase in dividend is associated with an increase in share prices there is need to evaluate the cost and benefits associated with dividend payment since there are instances which the dividend paid may retard the company's growth which will in turn infringe the gains acquired in the past.

There is need for listed companies to intensify their operations with the sole purpose of increasing their asset base. Through these expansion programs there are chances of increasing annual profitability which will impact both earnings per share and dividend per share positively.

There is need to increase the amount of reserves in listed companies which will increase the value of book value per share and consequently spur positive movement in the share prices.

5.4 Recommendations

Since there are instances of window dressing the books of account there is need for the user of accounting information to seek an independent opinion prior to using the information to make investment decision. We have experienced corporate governance shortcomings thus there is need to use information cautiously even if auditors have not given qualified opinions.

The providers of accounting information should be aware of the user needs and how to satisfy their need optimally. Information on dividend per share and earnings per share are highly dependent unless the company uses alternative forms of dividend payment.

The retention policy in a corporate organization ought to be evaluated since the amount of retained earnings increases the reserve levels. Since these amount increases the book value per share which spurs upward share price movement.

5.5 Suggestions for Further Studies

The current study sought to examine the relationship between selected accounting variables and stock prices movement among companies listed in Nairobi Securities Exchange. However, there is need for a comparative analysis to be carried out amongst different industry sectors and in different sectors in NSE. Further, there are alternative methods of analysis which can be used to analyse the stock price movement which is either an increase or a decrease, future scholars should categorize the price movement as either positive or negative and use probit or logit regression analysis to determine the odd on stock price movement of each independent variable on listed company's profitability.

 The current study was limited to local level and since they are plans of forming East Africa community market. A similar study ought to be carried out to examine the relationship between selected accounting variables on stock price movement on companies listed in securities exchanges in East Africa. Since there are different growth stages among companies which are listed there is need to examine the moderating role of growth among the companies which are listed in Nairobi Securities Exchange as well as those in East Africa.

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