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A COMPARISON BETWEEN EVA AND CONVENTIONAL ACCOUNTING PERFORMANCE MEASURES FOR LISTED COMPANIES IN MALAYSIA.

WONG SOW CHEN

Bachelor of Business (Accountancy)
RMIT University
Melbourne, Australia
1993

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University Malaya, in partial fulfillment
of the requirements for the Degree of
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ABSTRACT

This research was carried out with two primary objectives namely to investigate the relationship between Economic Value Added (EVA) and stock returns and how it compares with conventional accounting measures in explaining stock returns. The results indicate that there is a significant positive relationship between EVA and stock returns. Although the relationship is positive, it is relatively weak. All the accounting performance measures also exhibit a positive relationship with stocks. With regards to the ability of EVA in explaining stock returns, it was better compared to any of the accounting performance measures. The best accounting measure was price earnings ratio. Based on the result of this research, investors should pay more attention to EVA and manager should realign their performance measurement system to take into account EVA.