

**APPLYING ACCOUNTING FUNDAMENTALS TO
CALCULATE COST OF EQUITY**

**(WITH SPECIAL REFERENCE TO TWELVE LISTED COMPANIES IN COLOMBO STOCK
EXCHANGE IN SRI LANKA)**

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ABSTRACT

The objective of this research study is to Forward guide lines to the companies for following up proper way of estimating cost of equity using accounting fundamentals. To achieve this objective, researcher has selected listed companies from Colombo Stock Exchange. To analysis the relationship, two hypotheses were formulated for this research study. One is relationship between cost of equity and earninganother one isrelationship between share prices and dividend. Sample size of this research was 12, which was selected by using simple random method. Primarily the data collected from the selected company and Colombo Stock Exchange Publications, Magazines and related web collection. The univaitive analysis, correlation and regression analysis were used variable analysis through the SPSS (version 16.0) and Microsoft Excel 2010. The chart, table and graphs were used to present the collected data.

This study found there is a significant positive and negative relationship between cost of equity and earningand relationship between share prices and dividend in listed companies from Stock Exchange.