

**“CAPITAL STRUCTURE AND VALUE OF THE FIRM: AN EMPIRICAL ANALYSIS OF LISTED COMPANIES OF BEVERAGE FOOD AND TOBACCO SECTOR IN COLOMBO STOCK EXCHANGE MARKET IN SRI LANKA”.**

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## **ABSTRACT**

The essence of any financial manager is the maximization of the value of the firm. When assessing a financial plan, the sound financial management should consider how much debt and how much equity financing are appropriate and how will the mix affect a business. Why not use external finance for all capital requirements. Choice between debt and equity aim to find out right capital structure that will maximize the stock holder wealth. This study aimed to provide how to affect changes in capital structure on value of the firm.

The study was based on a sample of seventeen listed companies which are included in beverage food and tobacco sector of Colombo stock exchange in Sri Lanka. This study was conducted using secondary data from annual report of related companies and CSE website. After data were collected which included equity ratio, debt ratio, equity to debt ratio, EPS, MPS and P/E ratio , these data were presented and analyzed by using statistical tools. These analyses were used to test relationship between capital structure and value of the firm.

The study adopted a multiple regression model to find out the relationship between the variables. The study finding leads to the conclusion that the equity ratio, debt ratio and debt to equity ratio have significant impact on market value ratios of the firm. Equity ratio has a negative correlation with earnings per share ratio, market price per share. And Debt ratio has positive correlation with earnings per ratio, market price per share.

An important implication of the finding is that there is a need for looking at other significantly factors in order to maximize the firm value. So it is necessary to conduct further research in the field.

**-Researcher-**