
**IS ECONOMIC VALUE ADDED MORE ASSOCIATED WITH
SHAREHOLDER RETURNS THAN CONVENTIONAL
ACCOUNTING RATIOS?
EVIDENCE FROM PAKISTAN STOCK EXCHANGE**



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ABSTRACT

Contemporary focus of the performance measurement has been shifted and traditional profit based financial measures of performance have lost their importance. Theorists have put forward contemporary performance measures like EVA and REVA, but effectiveness of these measures is still under questions. This study is conducted in order to assess the relative significance and relevance of traditional accounting-based performance measures like ROA, ROE and EPS, and contemporary performance measures like REVA with MAR using data of companies from each sector listed on Pakistan Stock Exchange from 2011 to 2017. The collected data was analyzed by means of descriptive statistics, and regression estimation technique. The study found evidence of relevance of the traditional accounting-based performance measures namely ROA, ROE and EPS, while REVA as contemporary performance measure was found to have a significant link with the long-term performance of the organization. This indicates that REVA could be used as indicator of the value creation of the firm and thus is a reliable performance measure. Future investigations in this domain of knowledge should be considered with a view to explain long term value of the organizations.

Keywords: REVA, Pakistan Stock Exchange, ROA, ROE, EPS, Market Adjusted Return.