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How Earning Per Share (EPS) Affects on Share Price and Firm Value

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Abstract
Earnings per Share (EPS) is generally considered most important factor to determine share price and firm value. Literature shows that most of the individual investors take their individual investment decision based on the EPS. This paper attempts to provide empirical evidence on how EPS affect the share price movement. We have collected and analyzed 22 scheduled banks 110 firm year data and found that share price does not move as fast as the EPS move. We also further found that the share price movement depends on micro and macro economic factors on the economy. We suggest that investors must consider other factors as well as EPS in order to invest in the security market.

1. Introduction
Ratio analysis is the one of the instruments used for measuring financial success of companies. In fact, ratios reveal important realities dealing with operation and financial situation of companies. Financial analysts use market ratios to analyze financial situation. These ratios simply reveal important realities about the results of operation and financial situation of companies and present their information.
Investors and stock holders care about market price per share of companies and the ratios showing it. Most of these ratios are based on current market situations. Generally, market ratios are the ones are used for investment decisions and long-term planning. The ratios include earning per share (EPS), price/earnings ratio (P/E), dividend per share (DPS), dividend payout (D/P) and dividend yield (DY) (Saiedi, 2007).
Earnings per Share (EPS) is generally considered most important factor to determine share price and firm value**.** The main objective of this report is to find out the affects of EPS that reflects in the share price movement. A hypothesis is taken(EPS and Share Price move on the same track)for finding out the factors that show why the positive or negative changing trend of the share price and the EPS is not working. So, by the reasons for that one can easily identify the idea why the perfect market is not working. In this paper, on the analysis part we have analysis on it and the reasons that we get is many factors are related with it. So, the object of this report will be known to all about the factors that discontinued the relationship with EPS and shock price movement that usually the investor misrepresented by the raising news of EPS.

1.1What Is EPS:
The term earnings per share (EPS) represents the portion of a company's earnings, net of taxes and preferred stock dividends, that is allocated to each share of common stock. The figure can be calculated simply by dividing net income earned in a given reporting period (usually quarterly or annually) by the total number of shares outstanding during the same term. Because the number of shares outstanding can fluctuate, a weighted average is typically used(Besely 2006, P.20)

Calculated as:

$$= \frac{\text{Net Income - Dividends on Preferred Stock}}{\text{Average Outstanding Shares}}$$

('Earning per share' n.d)

1.2How It Works/Example:
Earnings per share are generally considered to be the single most important variable in determining a share's price. It is also a major component used to calculate the price-to-earnings valuation ratio. (Besely 2006, P.20)
For example, assume that a company has a net income of $25 million. If the company pays out $1 million in preferred dividends and has 10 million shares for half of the year and 15 million shares for the other half, the EPS would be $1.92 (24/12.5). First, the $1 million is deducted from the net income to get $24 million, then a weighted average is taken to find the number of shares outstanding (0.5 x 10M+ 0.5 x 15M = 12.5M).

1.3Why It Matters:
EPS is a carefully scrutinized metric that is often used as a barometer to gauge a company's profitability per unit of shareholder ownership. As such, earnings per share are a key driver of share prices. It is also used as the denominator in the frequently cited P/E ratio.
EPS can be calculated via two different methods: basic and fully diluted. Fully diluted EPS -- which factors in

the potentially dilutive effects of warrants, stock options and securities convertible into common stock -- is generally viewed as a more accurate measure and is more commonly cited(Basely 2006, P.20)

EPS can be subdivided further according to the time period involved. Profitability can be assessed by prior (trailing) earnings, recent (current) earnings or projected future (forward) earnings. Though earning per share is widely considered to be the most popular method of quantifying a firm's profitability, it's important to remember that earnings themselves can often be susceptible to manipulation, accounting changes and restatements. For that reason, free cash flow is seen by some to be a more reliable indicator than EPS.

1.4 The 5 Types of Earnings per Share

While the math may be simple, there are many varieties of EPS being used these days and investors must understand what each one represents, if they're to make informed investment decisions. For example, the EPS announced by a company may differ significantly from what is reported in the financial statements and in the headlines. As a result, a stock may appear over or under-valued depending on the EPS being used. This report will define some of the varieties of EPS and discuss their pros and cons.

There are five types of EPS to be defined in the context of the type of "earnings" being used:

a) Reported EPS (or GAAP EPS)

We define reported EPS as the number derived from generally accepted accounting principles (GAAP), which are reported in SEC filings. The company derives these earnings according to the accounting guidelines used. A company's reported earnings can be distorted by GAAP. For example, a one-time gain from the sale of machinery or a subsidiary could be considered as operating income under GAAP and cause EPS to spike. Also, a company could classify a large lump of normal operating expenses as an "unusual charge," which can boost EPS because the "unusual charge" is excluded from calculations. Investors need to read the footnotes in order to decide what factors should be included in "normal" earnings and make adjustments in their own calculations. To learn more about what can be found in the footnotes, read Footnotes: Start Reading the Fine Print (Investopedia, 2003)

b)Ongoing EPS

Ongoing EPS is calculated based upon normalized, or ongoing, net income and excludes anything that is an unusual one-time event. The goal is to find the stream of earnings from core operations, which can be used to forecast future EPS. This can mean excluding a large one-time gain from the sale of equipment, as well as an unusual expense. Attempts to determine an EPS using this methodology is also called "pro forma" EPS(Madura 2006)

C) Pro Forma EPS

The words "pro forma" indicate that assumptions were used to derive whatever number is being discussed. Different from reported EPS, pro forma EPS generally excludes some expenses or incomes that were used in calculating reported earnings. For example, if a company sells a large division, it could, in reporting historical results, exclude the expenses and revenues associated with that unit. This allows for more of an "apples-to-apples" comparison (Investopedia ,2003)

Another example of pro forma is a company choosing to exclude some expenses, because management feels that the expenses are non-recurring and distort the company's "true" earnings. Non-recurring expenses, however, seem to appear with increasing regularity these days. This raises questions as to whether management knows what it's doing, or is trying to build a "rainy day fund" to smooth EPS.

1. Headline EPS

The headline EPS is the EPS number that is highlighted in the company's press release and picked up in the media. Sometimes it is the pro forma number, but it could also be an EPS number that has been calculated by the analyst or pundit that is discussing the company. Generally, sound bites do not provide enough information to determine which EPS number is being used (Investopedia (2003)

2. Cash EPS

Cash EPS is operating cash flow (not EBITDA) divided by diluted shares outstanding. Generally, cash EPS is more important than other EPS numbers, because it is a "purer" number. Cash EPS is better because operating cash flow cannot be manipulated as easily as net income and represents real cash earned, calculated by including changes in key asset categories, such as receivables and inventories. For example, a company with reported EPS of 50 cents and cash EPS of \$1 is preferable to a firm with reported EPS of \$1 and cash EPS of 50 cents. Although there are many factors to consider in evaluating these two hypothetical stocks, the company with cash is generally in better financial shape.

Other EPS numbers have overshadowed cash EPS, but we expect it to get more attention because of the new GAAP rule (FAS 142), which allows companies to stop amortizing goodwill. Companies may start talking about "cash EPS" in order to differentiate between pre-FAS 142 and post-FAS 142 results, however, this version of "cash EPS" is more like EBITDA per share and does not factor in changes in receivables and inventory. Consequently, it may not be as good as operating-cash-flow EPS, but is better in certain cases than other forms of EPS (Investopedia (2003)

There are many types of EPS being used and investors need to know what the EPS numbers they see represent and determine whether they are a good representation of a company's earnings. A stock may look like a great value because it has a low P/E, but that ratio may be based on assumptions which, upon further research, you might not agree with.

How EPS affect on share price movement:

While a company's EPS will often influence the market price of its stock, the relationship is rarely inverse. The company's EPS is determined by dividing the earnings by the number of outstanding shares. The market price of each share is immaterial. For example, a company might have 1 million shares of stock outstanding. If that company earns $1 million dollars, its EPS is $1. It doesn't matter if the market price for the stock is $10 per share or $100 per share.

Few things in the investment world operate in a vacuum and stock price and EPS are not exceptions. A company with strong earnings per share might see the market price of its stock rise. This higher stock price might create a positive impression of the company's products in the minds of customers, resulting in greater demand, increased sales and ultimately higher earnings. The inverse might also occur. Poor EPS might depress stock prices resulting in lower consumer confidence, fewer sales and ultimately lower earnings per share. But these relationships are circular and not direct.

Scope of the research:

The scope of this report is mainly deals with the capital market. Actually what we can see that is EPS and stock price movement has both positive and negative relationships. If the results is inverse then what are the factors that relate with it. So the scope of this report is stars with the microeconomic factors of the company. It includes the factors of others company’s internal facts and mostly define in the directors influence. Another issue is macroeconomic factors. This factors affect the share price movement inversely regard to the declaration of EPS. In the capital market we can see that the investors and work with I mean they purchase share or stock on the basis of EPS but the facts of it they do not have this idea. So the original factors they must know as the scope of the capital market is not end with this only factor.

2. Literature review:

Year	Author	Comments
1982	Fama and Gibbon	▪ Introduced the expected real returns on bills and expected inflation rates are inversely related ▪ This is due to the positive correlation between expected real returns on financial assets and real activity
1961	Miller and Modigliani	▪ Introduced the Dividend Discount Model (DDM). ▪ It is Probably the relationship between stock prices and macroeconomic variables
1997, 2007, 2003	Oyama, Humpe and Mcmillan, Tessaromatis	▪ Suggesting that economic factors that influence the expected future cash flow and required rate of return affect the share price.
1981	Aggarwal	▪ Finds a positive relationship between revaluation of the US dollar and stock prices.
2008	Chang, Hsu-Ling, Yahn-Shir Chen, Chi-Wei Su, and Ya-Wen Chang	▪ Build up The Relationship between Stock Price and EPS: Evidence Based on Taiwan Panel Data.

3. Research methodology:

Research hypothesis HO: EPS and the share price move on the same track.

Research design:

This report is designed on the basis of getting the idea that is related to the factor of EPS and the share price movement. It actually focuses the consequences of the result of the upper factors. The supporting ideas or can say the supporting factors that supports the hypothesis fail is also an issue of it. The factors are also describing in the analysis part.

Sources of data:

Primary data: Data that are collected mostly from the internationally published journals, newspapers, websites, research reports, different publications and there statistics, graphs tables are used to complete this.

Secondary data: Secondary data I collect this by the Dhaka stock exchange library. And the individual companies EPS with 4quarter of each 5 years data is collect from the annual report of the each company’s quarter, half yearly and from the annual reports. And lastly the data collect from the DSE monthly and annually reports.

Data collection:
A bit survey was done by having face to face informal interview with some of expertise that persons are engaged with DES and some brokerage houses. And the other data I collect this by the Dhaka stock exchange library, it is actually of the last 5 years closing data of each date of trading for making the analysis.

Data analysis:
Data is analyzed through different perspectives like the help of excel to find the graphs and other important issues. With the help of graphs it can be easily make the consequences for the real facts. And for this analysis I work with one industry and it is bank. I choose 70-80% of the bank in total 22 banks for making the average result. The banks are selected randomly.

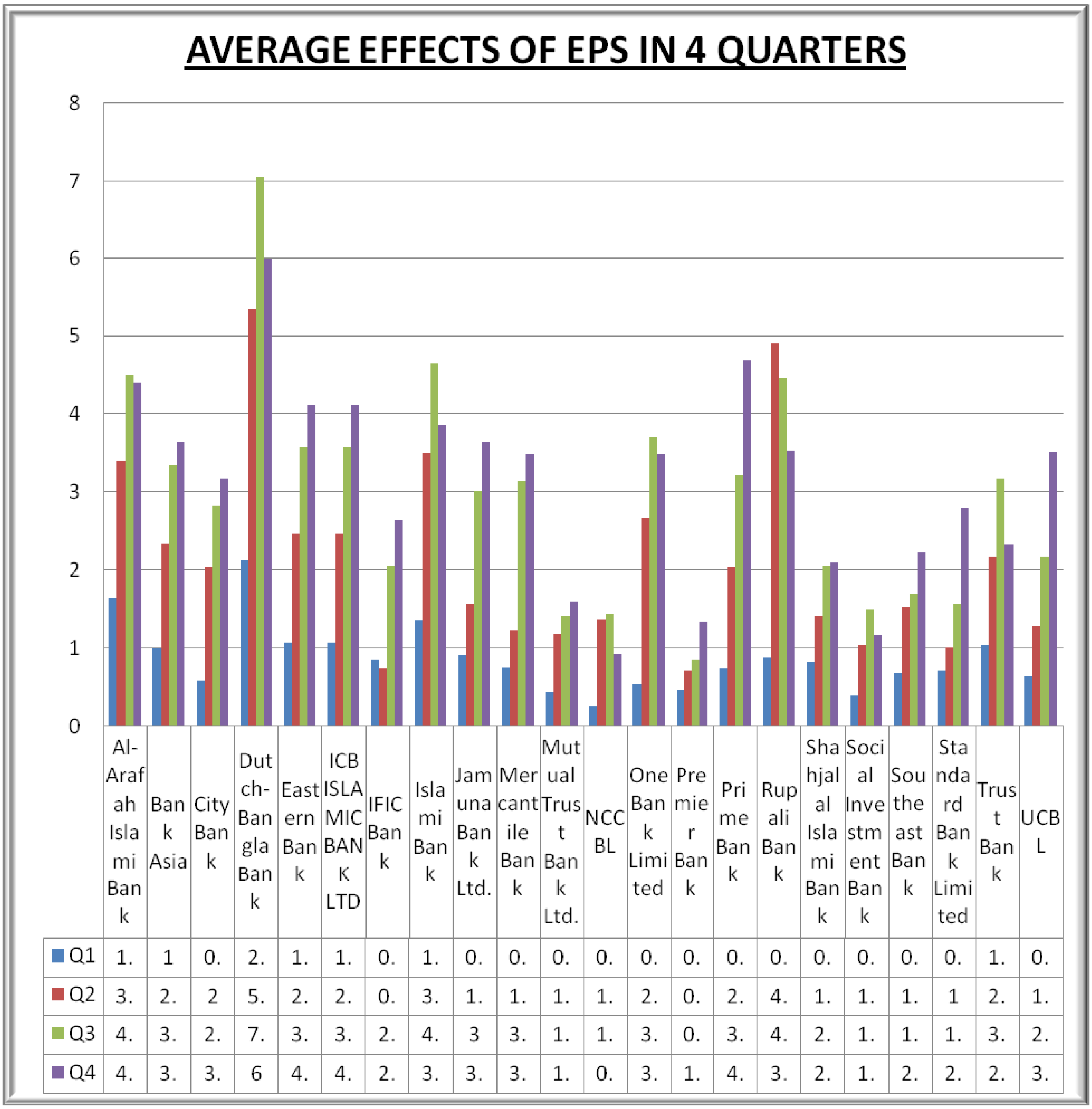
Limitations:
There are some limitations that made problem to the analysis as well as the research. The five 5years closing price is a factor firstly came with. From the DSE website it is not available. It can find only about 6 months data from the website of Dhaka stock exchange. That's why I have to find it from the DSE library. So it was the first problem that the data was not available.
Second problem come with the EPS of 4quarters of any company of banks is not available in separate. For the EPS I had again went to the Dhaka stock exchange library. There by the help of quarterly annual reports and by the help of DSE monthly review I found the quarterly EPS. By this the average EPS was calculated.
As there was taken 70-80% of the banks of listed company by DSE were made surveyed so there is a possibility of coming the average result. But factors problem might be affect the share price away from the reason change in regard to EPS.

4. Analysis:
To identify the real fact and the relation between the EPS and stock price movement I choose one particular industry and this is bank. From this particular industry I selected 22 banks that are enlisted in the DSE and practicing their trade regular. My thesis is about to find the actual result that is the share price is moving toward the same direction that the EPS doing. For this I collected the 4 quarters EPS data of five years to find is it going in the same direction or not. I mean to say is it going to the positive trend or negative. And I find a very positive way the EPS is running through the year. Like the increasing trend of EPS is in the same quarter staring from 1st till the 4th quarter. For doing further analysis I made a short list of it. I made an average of the each year's EPS that includes of total 4 quarters price and I showed it up to the 5 years data.

AVERAGE EPS OF FOUR QUARTERS IN 5 YEARS						
Serial no	**list**	Years				
		9	10	11	12	13
1	Al-Arafah Islami Bank	4Q's Average	4Q's Average	4Q's Average	4Q's Average	3Q's Average
2	Bank Asia	0		3.73	0.92	1.57
3	City Bank	3.69	6.19	3.65	1.44	1.06
4	Dutch-Bangla Bank	2.735	3.066	3.18	1.4	0.88
5	Eastern Bank	3.08	6	10.8	11.6	6.91
6	ICB ISLAMIC BANK LTD	5.57	0.536	4.12	3.72	1.7
7	IFIC Bank	5.202	1.083	2.7	(1.6)	(.62)
8	Islami Bank	5.62	7.063	2.58	2.65	
9	Jamuna Bank Ltd.	4.99	4.56	3.87	4.43	1.33
10	Mercantile Bank	0	2.092	3.65	2.12	0.59
11	Mutual Trust Bank Ltd.	1.865	2.467	3.49	2.26	1.21
12	NCCBL	1.86	2.198	1.61	1.3	(.39)
13	One Bank Limited	1.895	6.587	3.49	2.55	0.73
14	Premier Bank	1.565	0.308	1.34	1.3	(2.21)
15	Prime Bank	5.464	5.698	4.7	2.88	0.42
16	Rupali Bank	0	4.021	3.53	2.87	4.42
17	Shahjalal Islami Bank	2.454	0.465	2.1	3.11	1.35
18	Social Investment Bank	1.839	0.215	1.18	2.25	0.48
19	Southeast Bank	3.244	4.52	2.23	1.9	1.68
20	Standard Bank Limited	0	4.634	2.8	2.57	0.85
21	Trust Bank	3.306	5.748	2.33	0.55	1.1
22	UCBL	1.12	2.061	3.52	1.9	1.83

TABLE NO: 3.1 The average EPS of 5 years data is shown in this table.

After that to find the trend of increasing EPS I make an analysis and make a graph. This graph shows the increasing trend of the EPS staring with the 1st to the 4th quarter. The indication I found that the share price should also goes with this trend. The graph is showing below-



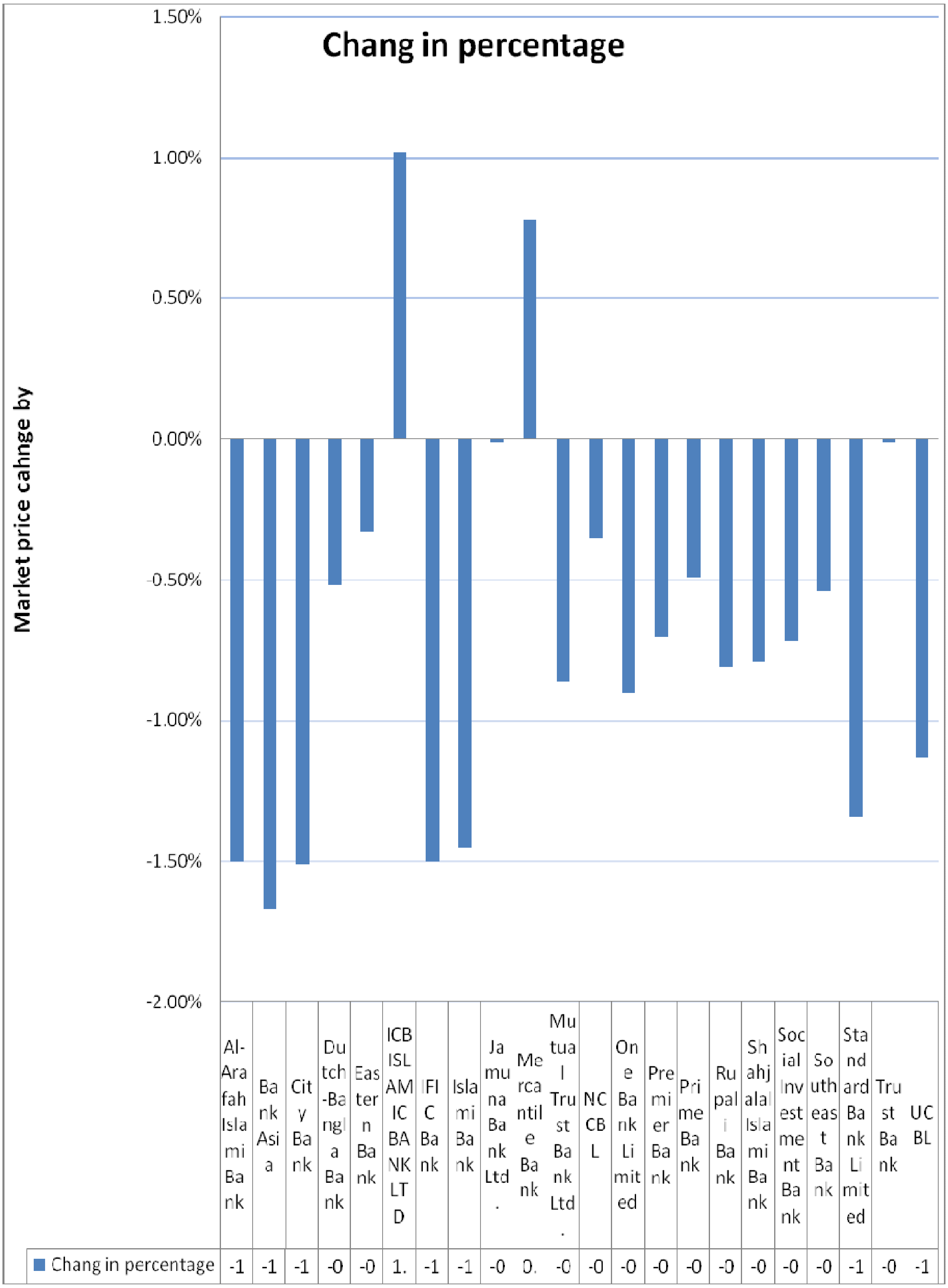
GRAPH NO: 3.1 the graph is showing the increasing trend in the all Quarters.

by this graph it can be conclude that it is very clear with the increasing trend of EPS and it is obviously can be expected that the share price must be increased in that particular time. For this my next analysis is on the stock price movement. And from the DSE library I collected the last 5 years closing price. From that I took the 3dates of each quarter. It is the before date of the EPS declaration and day after the EPD had declared. The change rate shows that the movement of stock price either it is increasing or decreasing. For this I again collected all the change happens in the last years and make an average. It is showing below-

5 YEARS AVERAGE OF STOCK PRICE CHANGE IN PERCENTAGE BETWEEN THE DAYS OF EPS DECLARED		
Serial no	**list**	**CHANGE IN PERCENTAGE**
1	Al-Arafah Islami Bank	-1.50%
2	Bank Asia	-1.67%
3	City Bank	-1.51%
4	Dutch-Bangla Bank	-0.52%
5	Eastern Bank	-0.33%
6	ICB ISLAMIC BANK LTD	1.02%
7	IFIC Bank	-1.50%
8	Islami Bank	-1.45%
9	Jamuna Bank Ltd.	-0.01%
10	Mercantile Bank	0.78%
11	Mutual Trust Bank Ltd.	-0.86%
12	NCCBL	-0.35%
13	One Bank Limited	-0.90%
14	Premier Bank	-0.70%
15	Prime Bank	-0.49%
16	Rupali Bank	-0.81%
17	Shahjalal Islami Bank	-0.79%
18	Social Investment Bank	-0.72%
19	Southeast Bank	-0.54%
20	Standard Bank Limited	-1.34%
21	Trust Bank	-0.01%
22	UCBL	-1.13%

TABLE NO: 3.2 THE TABLE SHOWS THE CHANGE IN PERCENTAGE OF THE EPS DECLARATION ON AN AVERAGE OF 5 YEARS CLOSING PRICE DATA.

By this I make a graph that shows the change in percentage in change to see the trend that is the stock price is changing in the positive way or not or can say increasing in the increasing rate or not. And we found the graph below-

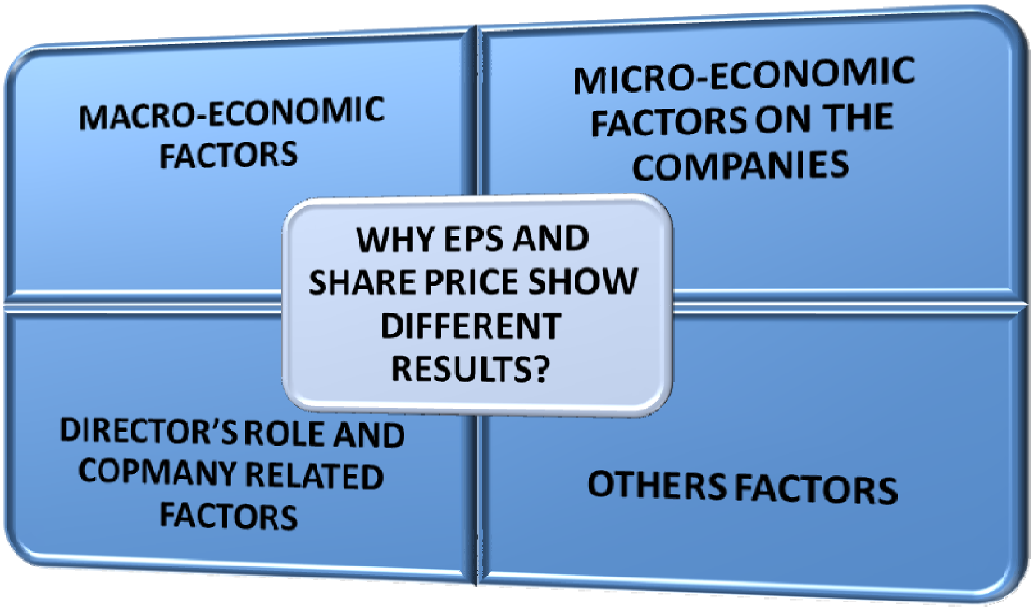


GRAPH NO: 3.2 THE GRAPH SHOWS THE CHANE IN PERCENTAGE WITH THE DECLARATION OF EPS (AVERAGE OF 5 YEARS DATA)

So that we can see the trend is not going in the same way that it should move. Out of 22 banks report we can see that only 2 of them showing the same result I mean the positive way and the others are become negative on an average. It shows the meaning that the EPS is not responding well. So there must be some reasons that affect the share price movement. Let's find the factors-

Reasons why EPS and stock price movement is not accurate

The reasons of why the EPS is not working on the track means that the share price is not moving on the same way that the EPS goes. For an example, if like EPS is increasing in this quarter results from declaration and compare from the last quarter's EPS so it is mandatory that the share price also increase in the same way means increasing at the increasing rate . But the fact we observed by our analysis that shows the opposite or reverse result. It is not expected that the EPS and the share price is not going in the same way. So that there must be some reasons that affect the share price movement. For some factors this problem are happening besides the accurate reasons to move up the share price or down. Mostly in the country like USA and some other developed countries, we can see the report that shows positive movement of the EPS and share price like increasing at the increasing rate as well as decreasing the decreasing rate. And these prices are automatically adjusted on behalf of very short of time. But the problem is with some developing countries capital market. It takes time to adjust the price on behalf of the EPS. So that other developing country like ours also has this problem. The reasons are describing below-



GRAPH NO: 3.3 showing the factors that make differentiate the EPS and the share price.

MACRO-ECONOMIC FACTORS

1. Interest rate:

The impact of interest rate: interest rate rise leads to reduced demand for shares, which leads to falling prices, and vice versa.

2. Effect of currency market:

Effect of currency market: the devaluation of the currency leads to lower stock prices, but the shares of export value rises because of the low cost of export, which increases profits.

3. Inflation:

Inflation means higher consumer prices. This often slows sales and reduces profits. Higher prices will also often lead to higher interest rates. For example, the central bank of Bangladesh may raise interest rates to slow down inflation. These changes will tend to bring down stock prices. Commodities however, may do better with inflation, so their prices may rise.

4. Deflation:

Falling prices tend to mean lower profits for companies and decreased economic activity. Stock prices may go down, and investors may start selling their shares and move to fixed-income investments like bonds. Interest rates may be lowered to encourage people to borrow more. The goal is increased spending and economic activity. The Great Depression (1929-1939) was one of the worst periods of deflation ever.

5. Economic outlook:

If it looks like the economy is going to expand, stock prices may rise. Investors may buy more stocks thinking they will see future profits and higher stock prices. If the economic outlook is uncertain, investors may reduce their buying or start selling. (Investopedia 2003)

6. Changes in economic policy:

If a new government comes into power, it may decide to make new policies. Sometimes these changes can be seen as good for business, and sometimes not. They may lead to changes in inflation and interest rates, which in turn may affect stock prices.

Micro-Economic Factors on the Companies

1. Demand and Supply:

The forces of demand and supply determine the prices of securities. If a particular security is available in abundant supply, it will sell at a lower price than usual. Similarly, if there are more buyers than sellers the price will have a tendency to rise. (Madura 2006)

2. High corporate profits:

High corporate profits lead to higher stock prices due to high demand, and vice versa.

3. Re-purchase:

Re-purchase of shares listed: gives a positive impact and lead to higher stock prices.

4. Rumors:

Rumors of positive news for firms lead to higher prices.

5. Insider trading:

This is a major factor which moves shares prices in most stock markets. It is also among the toughest challenge regulators face. There are hundreds of cases where insider trading benefits a small section of investors who are either company employees or persons closely associated with the company management. Insiders accumulate shares before a major corporate announcement and sell when the announcement is made to book huge profits at the expense of other investors. Insider trading is unfair, unethical and fraudulent because it gives a few investors an unfair advantage because they have access to price-sensitive information about a company (Madura, 2006)

6. Trade activities:

Stock exchange is greatly influenced by the slumps and booms. When trade activities will be fast in the boom period, the prices of the securities tend the increase. In case of depression, the prices of the shares tend to fall due to low production volume.

7. Investment by the insurance company:

Insurance companies are considered the greatest purchasers of the securities in the world. Any investment on the part of the insurance company will tend to increase the prices of securities. Conversely when these shares are disposed of in the stock exchanges, the prices will show a downward trend.

8. Overproduction:

In case of overproduction, the company will not be in a position to declare sufficient amount of dividend among the shareholders. Therefore the prices of the shares in the stock exchange will fall.

9. Change in fashion:

When any change in the consumer's habit or fashion happens, the prices of the shares will fall because the company will not be in a position to declare good dividend among the shareholders due to its limited profit.

10. Availability of loan able funds:

If plenty of loan able money is available on simple terms and conditions, the prices of the securities will tend to increase. But if there is restriction imposed by the central bank on the expansion of loan, the prices of shares will tend of fall.

Director’s role and company related factors

1. Director’s dividend policy:

If the company earned large profit during the particular period, the more dividends will be distributed among the shareholders thus the prices of the share will go up due to increasing demand(Goasse, 2005) If directors decide to distribute fewer dividends among the shareholders, the prices of the shares will go down.

2. Director’s influences:

When any influential director resigns from the Board of Directors, it may create the doubts in the mind of public about the financial stability of the company (Goasse, 2005). This situation will adversely affect the prices of the shares in the stock exchanges market.

3. Artificial buying:

For the purpose of creating good demand among the public, the under-writers begin to purchase a number of shares. Thus the prices of the company concern will rise due to artificial buying (Goasse 2005)

4. Activities of the speculations

The policy of the speculators i.e. Bulls & Bears influence the prices of the shares in the stock exchange market. They sometimes, purchase the shares in abundance to increase the value of particular securities.

5. Corporate actions:

A bonus or a rights issue at a steep discount to current market price is likely to influence the company’s share price in the near term. Similarly, a merger announcement can send a company’s share price soaring if it is perceived to be adding value to its business.

COMPANY RELATED FACTORS

1. Industry performance:

Often, the stock price of the companies in the same industry will move in tandem with each other. This is because market conditions generally affect the companies in the same industry the same way. But sometimes, the stock price of a company will benefit from a piece of bad news for its competitor if the companies are competing for the same market.

2. Investor sentiment:

Investor sentiment or confidence can cause the market to go up or down, which can cause stock prices to rise or fall. The general direction that the stock market takes can affect the value of a stock:

•Bull market – a strong stock market where stock prices are rising and investor confidence is growing. It's often tied to economic recovery or an economic boom, as well as investor optimism.

•Bear market – a weak market where stock prices are falling and investor confidence is fading. It often happens when an economy is in recession and unemployment is high, with rising prices.

3. Company fundamentals:

Share prices do reflect the company's fundamentals as a rule. This means a company generating healthy revenues and profits year after year will appreciate over a period of time (Kothari, 2009). This explains why value and growth investors hold on to such shares as they are not concerned with short term price aberrations. In the short term, wild swings in share prices are the result of market sentiment. Sentiment changes as greed or fear overtakes majority of investors.

4. Company technical:

Investors figure out whether a share is overbought or oversold at a given point in time. Studying the charts will tell you whether a particular share has breached its short term/medium term/long term resistance and support levels. In technical analysis jargon, a breach of a major support (a price point where demand exceeds supply) is a bearish signal and a break above the resistance level (a point where supply exceeds demand) a bullish signal. There are several parameters based on which an investor takes an investment call and this at the macro level becomes an important factor influencing sentiment and share prices (Kothari 2009).

OTHER FACTORS

1. Political Situation:

The stock exchange is influenced by the political disturbances inside the country and outside the country. Uncertainly in political conditions, revolution, or outbreak of war have a quick effect on share values.

2. Public confidence:

If there is any doubt in the mind of people for the payment of interest, the value of the govt. securities may come to fall. But if public confidence increases in regard to the ability to pay interest, the value of the Govt. Securities may rise.

3. Sympathetic situation:

One stock exchange is influenced rapidly by another stock exchange. If the prices of the particular share in one stock exchange rise, the other stock exchange will also be affected and the prices of the particular share will go up and vice versa.

4. Influence of press:

Some periodicals are issued in which experienced writers give their views about the latest situation in the stock exchange market. Their opinion influences the prices of the shares in the share market.

5. Web-Related Articles

The Internet has transformed the way people invest, as well as the way the public at large obtains news. Therefore, if a Web writer or journalist disseminates a bullish or bearish article about a company throughout the trading day, this can have a huge impact on its stock (Anderson, 2002)

6. Analyst Upgrades/Downgrades

An analyst may disseminate an intraday note that can have a significant impact on a given stock and/or sector. As a tip, remember to scan financial Web sites or watch business reports on television. If a large company has just been upgraded or downgraded, try to judge the potential impact on certain industries and the market as a whole.

7. World Events:

Company stock prices and the stock market in general can be affected by world events such as war and civil unrest, natural disasters and terrorism. These influences can be direct and indirect, and they often occur in chain reactions. The social uncertainty and fear generated by the terrorist attacks on Sept. 11, 2001, affected markets directly as they caused many investors in the United States to trade less and to focus on stocks and bonds with less risk (Wolski, 2001). An example of an indirect influence on markets is the announcement of a new military venture by a country in response to the outbreak of civil unrest or conflict abroad.

8. Effect of month of January Effect:

In the first month of the year, so investors tend to invest in the start of this month, which leads to higher prices (Anderson,2002)

9. Trade random Noise Trading:

A class of people you are buying shares without knowledge of market conditions and following the news of companies and other important things, and form this group of shareholders, about two thirds of the market.

5.1 Conclusion:

The trend of running in the same way of EPS and share price is not worked properly. By the analysis we can see that the result bring an opposite result. Although the EPS is increasing, the share price is not increasing that much. So that the hypothesis we fixed it is also not working. After that we found some reasons that why the share price is not increasing on the trend of EPS or can say despite of EPS rising. The factors we found can be categorized in 4 types- macroeconomic factor, microeconomic factor on the company, director's role and company's factor and other factors. We if an investor willing to spend some money in the capital market then that person must be pursue through all the factors including the EPS. One should not only go for decision with the view of EPS. Because the EPS in not only the indicator. There is also many indicators that reflects the best decisions.

5.2 Recommendation:

Some recommendations I would like to suggest and these will help the investor to take right decision. This are-

- Investor should not always look for the EPS rather then they have to look for other factor like PE ratio and dividend policy also.
- Every company should adjust their polices to move the EPS and share price go with positive site.
- The board of directors should be elected and selected up rightly otherwise imperfect persons can manipulates the polices.
- During the political instabilities investment should be carefully taken otherwise price can be fall.
- In the imperfection market investment should be very carefully handed otherwise bad situation can happen.
- The manipulation should be prohibited strictly.
- Company's annual reports should be transparent otherwise investor could be at problem.
- Corporate action should be controlled otherwise share price can be affected.

  These things should be on controlled. If so then the EPS and the share price can move to the same directions.

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