Abstract No: 288 *Economics and Management*

Impact of mandatory offer announcements on stock returns in Colombo Stock Exchange (CSE)

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This study attempts to examine the impact of mandatory offer announcements on stock return in the Colombo Stock Exchange and highlights the mandatory offers and its grounds in the legal system in Sri Lanka. Although there are few of studies on mandatory offers in stock exchanges, it is hard to find the studies on impact of mandatory offers on stock return in Sri Lankan context. The primary aim of this study is to study the impact of mandatory offers on stock return in Colombo stock Exchange using the sample of mandatory offers during year 2010 to 2014. This research used secondary data for the purpose of analysis and employed event study methodology for the purse of the analysis. More specifically, it employs the market model in generating abnormal returns surrounding mandatory offer announcement. The findings of this study revealed that on average market reacts positively to mandatory offer announcements and takes considerable time to fully incorporate information contained in mandatory offer announcements by the bidder firms. Further there is a considerable anticipatory effect reflect the target firms. The findings of the study will be important to all those take interest in the share market. Especially it is more important to the investors, managers of the companies' stock exchange regulatory agencies in their decision making.