Cost of equity-- return paid to shareholders to maintain share price:

(Dividend Per Share for next year/Market Price of Share)+ Dividend Growth.

Equity Capital= Equity/(Equity+Total liabilities)x100%.

Debt Capital= Total liabilities/(Equity+Total liabilities)x100%.

Beta: only used for stock prices and market index as benchmark--
Covariance of both returns/ Variance of market return.

Alpha: used on x and y values being correlated--
[(Av. of Y)- Beta] x Av. of X.

Stock market reaction (robustness):

- ROA = independent variable.
- Firm Size and Firm Revenue = control variables.
- KLD index (stock return for CSR companies) (industry-adjusted*)= dependant variable.

AND:

- ROA = independent variable.
- Firm Size and Firm Revenue= control variables.
- CARs (with KLD as benchmark) = dependent variable.

*subtract KLD index across ALL firms.

CARs: stock return own figures with KLD 400 as benchmark.

Trial Balance Adjustments

Adjustments:
- dividends payable

Dr retained earnings (equity: credit: reduce).
Cr accruals (liability: credit: increase).
- dividends paid

Dr dividends payable (liability: credit: reduce)
Cr cash (asset: debit: reduce).
- cost of sales

Dr cost of sales (opening inventory+ purchases- closing inventory)
Cr closing inventory
Dr opening inventory
Cr payables