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AN ANALYSIS OF THE EFFECTS OF SHARE BUY-BACKS ON SHAREHOLDER WEALTH.

BY

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ABSTRACT
Considering the fact that the Zimbabwean markets are in recovery the sudden rise of share buybacks post dollarization and the implementation of the scheme by the ZSE’s blue chip stocks, it remains unknown whether the scheme is beneficial or detrimental to shareholder wealth. The study sets out to assess the effects of share buybacks on shareholder wealth and ascertain the effects buyback schemes on management performance. The parameters examined to that effect include a correlational study on share buyback cost and dividends as well correlational study on share prices pre and post buyback market price. The study measured the effects of the scheme over the 4 years post dollarization. There was convincing evidence that share prices increase after announcement of share repurchase schemes as well as the fact that share buybacks provide management with another means to distribute excess funds. However note has to be taken by shareholders to the fact that share repurchase announcements made prior to reporting date and when stock price is at its highest may not improve shareholder wealth but will be a tool used by management to enhance performance. Furthermore research on the effects of share buybacks on firm liquidity form a basis by which quality of literature can be enhanced.