

ABSTRACT

The Influence of Inflation Adjusted Earning And Historical Cost Earning On Stock return During inflation At Publicly Traded Companies In Jakarta Stock Exchange.

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This research was aimed to compare the influence of two method, historical cost earning and inflation adjusted earning in manufacture companies to stock return. This research can give positive suggestion for investor to their investment that is investor concern at historical cost and IAI not yet have to release regulation about financial statement considering inflation rate.

The methodology was used in this research: 1) Data was collected from documentation. Documentation are taken from financial statement firms from Jakarta Stock Exchange that release annual earnings of 1999, 2000, 2001, 2002 and 2003. 2) all the data documentation were tested by using paired sample test and simple linear regression.

The final result of this research shows that historical cost earning more influence to stock return with level of determinacy (R^2) about 16,2%. inflation adjusted earning influence stock return equal to 14,6%, its mean only a few once information of earning both historical cost earning and inflation adjusted earning influence to stock return. Result of incremental information content indicated that the inflation adjusted earning and historical cost earning has no incremental information content in explain stock return. Result of this research is caused by an inefficient capital market in Indonesia or equally more amount stock return influenced by factors the others historical cost earning as well as inflation adjusted earning, the stock price tend to stagnant, the inflation rate still stabilize, earning contain the irrelevant information.

Keywords: inflation adjusted earning, historical cost earning, inflation, stock return, incremental information content