# ABSTRACT

This research was intended to find out the difference in the financial performance of companies before and after they made acquisition, and also to find out whether acquisition had a positive effect on their financial performance, and which ratios contributed to the financial performance.

Purposive random sampling technique was used in the determination of samples. Out of 55 companies, 40 were taken as samples; these were the companies that had made an acquisition between 1989 and 1992 considering that the impact of the acquisition began to appear about three years after the acquisition.

The data used in this research were secondary ones obtained from BAPEPAM and the Jakarta Stock Market (BEJ).

The analysis model used in this research was a discriminant analysis while the hypothesis test used t test (before-after t test).

The result of this research shows that there are differences in the financial performance of the firms before and after the acquisition at rentability ratio (X1), liquidity ratio (X2), and solvability ratio (X3), whereas for the profit margin ratio on sales (X4), and return on total asset ratio (X5) there are no differences. This has been caused by the decrease in sales level affected by many factors, among others, unfavorable world economic

conditions, the weakening of the exchange rate of dollar to yen resulting in a prolonged trade war between the U.S. and Japan and in turn it has affected the rupiah exchange rate to other foreign currencies, followed by the enforcement of export quota to wards some leading products of Indonesia by some countries, the economic globalization which has created a sharp competition among companies producing the same kinds of products, both in the domestic and international markets. All these factors have affected sales results.

The acquisition activities that have been made have contributed positively to the financial performance of the companies which can be seen from the average value of rentability ratio (X1), liquidity ratio (X2), solvability ratio (X3), and return on total asset ratio (X5) which have been improving since acquisition. In addition, these four ratios have contributed to the financial performance of the companies while rentability ratio (X1) has a dominant effect on the financial performance of the companies.

This research is of benefit since it can provide information for investors and would-be investors who plan to invest by buying stock of companies so that they can choose stock of companies with good financial performance.