

**THE INFLUENCES OF THE CHANGES IN PROFITABILITY  
AND MARKET VALUE OF A FIRM ON THE CHANGES IN  
STOCK PRICE IN GO PUBLIC FIRMS  
IN JAKARTA'S STOCK EXCHANGE**

By : **Bunthoeun Him**

**ABSTRACT**

The aim of this thesis was to examine whether the changes in profitability and market value of a firm had any influences on interest's rate in go-public firms in Jakarta's stock exchange from 1993 to 1994. Profitability was represented by ratios : Profit Margin on Sales (PMS), Basic Earning Power (BEP), Return On Assets (ROA), and Return On Equity (ROE). All these ratios were aimed to measure the competence of the firms showed by the profit earned from selling and investment. Whereas firm's market value included Price to Earnings Ratio (PER) and Market to Book Ratio (MBR). These ratios were aimed to measure the competence of the firms in creating market value exceeding investment expenditure.

The hypotheses of this study assumed that variables such as the changes in Profit Margin on Sales, Basic Earning Power, Return On Assets, and Return On Equity, Price to Earnings Ratio, as well Market to Book Ratio collectively. Influence of the change stock price in go public firms in Jakarta's stock. Exchange, and it was assumed that the factor of the change in Return On Equity had a dominantly influence on stock price changing in go public firms in Jakarta's stock exchange.

Samples used were 30 firms whose criteria of the most activated firms based on their trading's frequency from 1993 to 1994. Samples were selected by using purposive sampling method. The selected samples were analyzed by using multiple regression analyzis, then they were further analyzed by econometric test (multicolinearity, auto correlations, and heteroscedasticity).

Based on the result of multicolinearity test, it was known that the changing variables in Basic Earnings Power ( $X_2$ ) and Return On Assets ( $X_3$ ) had to be excluded of the model, thus this study consisted of 4 another independent variables only, those were the change in Profit Margin On Sales ( $X_1$ ), Return On Equity ( $X_4$ ), Price to Earnings Ratio ( $X_5$ ), and Market to Book Ratio ( $X_6$ ). As a result of regression analyzis, we found out that  $R^2$  value was 0,7917. It meant that it was about 79,17% of the changing stock price variables could be explained by variables of the change in Profit, Margin On Sales ( $X_1$ ), in Return On Equity ( $X_4$ ), in Price to Earnings Ratio ( $X_5$ ) and the change in Market to Book Ratio ( $X_6$ ), whereas the rest could not be explained. The result of this analyzis also showed that one of the four independent variables used, had no any significant influence on changing in stock price, which was the variable of changing Price to Earnings Ratio ( $X_5$ ). Three significantly influential independent variables on the change in interest's rate during the examination's period. Were the change in Profit Margin On Sales ( $X_1$ ), in Return On Equity ( $X_4$ ), and in Market to Book Ratio ( $X_6$ ). The

variable which influenced dominantly on the change in stock price was the change in Market to Book Ratio ( $X_6$ ).

The result of this study showed that the prospective investors would give more attention on Profit Margin On Sales (PMS), Return On Equity (ROE), and Market to Book Ratio (MBR) especially, if they wanted to make a trading process an stock exchange floor. Merely, we could say it in general, the fundamental factor, especially emission condition, was not taken into account by the (prospective) investors in stock trading from 1993 to 1994.