THE INFLUENCE OF CURRENT RATIO (CR), EARNINGS PER SHARE (EPS), DEBT TO EQUITY RATIO (DER), AND PRICE TO EARNINGS RATIO (P/E) TOWARDS STOCK PRICE OF PT BUMI RESOURCES TBK 2000 - 2011

By

Ulya Izzati Rizkina
ID 014200900163

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CHAPTER I

INTRODUCTION

1.1 Background of Study

Indonesia is one of many developing countries that undertake economic growth through fostering community economic pillar. Indonesia needs transformation in order to keep maintaining its welfare-friendly environment. The procedure of transformation is through cooperation with entrepreneurs and company. The company can primarily help Indonesia as a stabilization of state financial. Therefore, Indonesia should encourage all companies to develop properly and comply all activities that appropriates with applicable regulations in Indonesia.

Based on Husnan and Pudjiastuti, cited by Dhita Ayudia Wulandari (2009, p.2), the company always needs capital funds to support its operation and maintain its viability in an increasingly fierce business competition across industry. The way to obtain company’s funds is by attracting funds from outside of the company. The outside funds can be obtained in the capital market. According to Intan Tadzkhirotul Maftukhah cited by Deitiana (2011, p.1), the main objective of company is increasing prosperity of owners and shareholders. Increasing prosperity can be conducted by having a good strategic planning in mapping out capital of its company.

The company should have big effort to convince the investors and they will get return of this investment in order to make the investors are willing to invest their capital to its company. The capital market should be a place for company to get additional funds from outsider and give opportunity to the investors to get high return of investment. The objective of investment is to earn high return of investment, which can be obtained from dividends and capital gains. Thus,
According to Mulyamah, cited by Dhita Ayudia Wulandari (2009, p.2), in order to raise fund from investors and shareholders, the company should maintain and support the company’s financial condition as well as observe and maintain the liquidity, leverage, prospect, and profitability of company.

For companies which are not included in Go Public Company, value of the company is price that must be prepared for the buyers. While for the go public company, the stock price becomes the indicator to know the value of company. It means if the stock price is increasing, the company value is increasing as well. When it already increased, the return of shareholders is increasing because of increased on stock price; it will give high return to the shareholders as well as investors. Company’s performance can be measured using financial performance in the certain period.

There are several methods in evaluating stock at capital market. However, it can be classified into two types, which are technical analysis and fundamental analysis. Technical analysis uses past price change in order to estimate securities price in the future, but fundamental analysis is related to assess of company’s performance that more focused on financial statement of the company. Financial ratio is a tool that can help researcher to interpret the result and compare the result to previous year. According to Elio D’Amato (2010, p.4), There are four ratio can be used to interpret the result, such as liquidity ratio, profitability ratio, leverage ratio and valuation ratio. Financial ratio forms the basic of all investment decisions, because without knowing the true financial position, the investors are surely just speculating. Therefore, the company should have provision of information given, which is complete, accurate, and relevant to the investors.

This study examined by the researcher because the fluctuation of stock price is occurred every time. Moreover, the declining in stock price was happening in PT Bumi Resources Tbk, as one of the biggest coal mining companies in Indonesia, that have two subsidiaries companies and the biggest coal reserves in Indonesia.¹

¹ official websites of PT Bumi Resources Tbk: http://www.bumiresources.co.id
The investors typically are more interesting to invest money in company has many natural resources produced. Meanwhile, it is particularly because some issues that negatively affect to company’s performance. Thus, the stock price is declining in the lower level at the capital market.

The deceleration of economic growth impacts to coal companies in Indonesia, especially for PT Bumi Resources Tbk because export market in Indonesia fell down while import market to Indonesia is keep growing up (See at the figure 1.1). China was also decreasing demand of coals from Indonesia as the way to less this impact and in order to safe trading in surplus condition.\(^2\) It affects on index of coal price because the abundant of coal supply does not comparable with the demand.

Figure 1.1 - The Factors of Deceleration Economic Growth

\[\text{Source: http/wwwkanopi-feui.blogspot.com}\]

The performance of company should be in a good condition when the company shows off in public. The investor will invest money when the company is in a

\[\text{Source from Website: http/wwwkanopi-feui.blogspot.com}\]
good condition. The investors actually should help and give the solvability in the difficult times because the one which most needed by company to running back its business is the investor. This below is about financial highlight from financial statements of PT Bumi Resources Tbk that will be included and reviewed further by researcher regarding this case study, such as following below.

**Table 1.1 Financial Performance of PT Bumi Resources Tbk, Period 2008-2011**

<table>
<thead>
<tr>
<th>Category</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income</td>
<td>1.935,971,373</td>
<td>1.881,571,592</td>
<td>1.980,666,397</td>
<td>3.597,225,120</td>
</tr>
<tr>
<td>Total Sales</td>
<td>35,125,292,229</td>
<td>26,591,129,251</td>
<td>38,116,240,188</td>
<td>37,169,128,885</td>
</tr>
<tr>
<td>Cash and Banks</td>
<td>606,539,626</td>
<td>2,088,239,507</td>
<td>527,784,784</td>
<td>1,664,105,776</td>
</tr>
<tr>
<td>Current Assets</td>
<td>22,660,227,469</td>
<td>23,403,623,160</td>
<td>21,337,051,746</td>
<td>15,800,050,930</td>
</tr>
<tr>
<td>Total Assets</td>
<td>64,684,740,834</td>
<td>28,836,779,511</td>
<td>77,073,656,754</td>
<td>50,662,337,126</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>20,554,144,087</td>
<td>12,405,640,752</td>
<td>21,998,677,002</td>
<td>20,351,767,349</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>54,357,092,963</td>
<td>52,045,021,551</td>
<td>60,468,400,366</td>
<td>35,967,847,048</td>
</tr>
<tr>
<td>Equity's shareholder</td>
<td>10,327,648</td>
<td>11,981,098</td>
<td>15,298,110</td>
<td>11,279,524</td>
</tr>
<tr>
<td>Total Shares outstanding</td>
<td>20,773,400,000</td>
<td>19,404,000,000</td>
<td>19,404,000,000</td>
<td>19,404,000,000</td>
</tr>
<tr>
<td>Earnings per Share</td>
<td>93.19</td>
<td>96.97</td>
<td>102.08</td>
<td>185.39</td>
</tr>
<tr>
<td>Stock Price (4th Quarter)</td>
<td>2,175</td>
<td>3,075</td>
<td>2,425</td>
<td>910</td>
</tr>
</tbody>
</table>

*(in thousand rupiah except earning per 1000 shares, total shares outstanding, and stock price)*

**Source:** Financial Statement of PT. Bumi Resources Tbk.

PT Bumi Resources Tbk is still good in the total sales, and Its short-term debts should be repaid are Rp 54 Trillion, so that means in the end of year, this total is mostly for paying its short-term debts since they have come up with lots of debt, Therefore, the company achieved small net profit. Shortly, higher in debts that should be paid with their incomes are due to may the aggressiveness in the activities of financial engineering. According to John Wiley & Sons (2010), financial engineering is the application of financial technology to solve financial problems or create financial opportunities by creating desirable cash flow from new or existing investment.

### 1.2 Company Profile

#### 1.2.1 History of the Company

PT Bumi Resources Tbk is a limited liability company governed by the laws of the Republic of Indonesia by virtue of Deed of Establishment and registered in
the Registry Office of the book Surabaya District at the last time, it was substitute by Alfira Kencana, substitute to Sutjipto, SH., Notary in Jakarta. In September 2000, they registered at the Companies Registration Office of South Jakarta Municipality. The vision of PT Bumi Resources Tbk is to be a world class company in the energy and mining sectors, with operations globally and mission is maintaining business continuity and competing higher in anticipation of a global competition to: improve the return on investment for shareholders, improve the welfare of employees, improving the welfare of the people that are around our mining, protecting the environment that surround our operations in the form of sustainability.

In November 2001, the Company took over 80% ownership of Arutmin from BHP Billiton. In August 2004, the Company took over 20% of the shares of PT Ekakarsa Yasakarya Arutmin Indonesia. Then, in the October 2003, the company acquired the PT Kaltim Prima Coal (KPC) and 20th of June 2005, the company acquired iron exploration in the two mining areas in Mauritania, in the north of Nouakchott.in the early of July 2005, the company acquired 99.996% stake in PT Citra Palu Minerals (CPM). The last but not least, in August 2005, the company took over the 80% stake in PT Gorontalo Minerals (GM) through the purchase of all shares owned by BHP Holdings, Inc. at International Minerals Company LLC.3

1.2.2 Operational

The activities and productions of coal are through two subsidiary companies namely, KPC and Arutmin. KPC operates a coal mine in Sangatta and Bengalon, which are both located in East Kalimantan with concessions in an area of 90,960 ha until 2021. While Arutmin operates a coal mine concessions in an area of 70 153 ha in Batulicin, South Kalimantan until 2019. In 2006 total coal production of KPC and Arutmin had reached amounted to 50.7 million tons. KPC has three types of coal products, namely Prima Coal, Pinang coal Against Coal and Coal,

3 All Paragraphs in title of “History of The Company” based on official website of PT Bumi Resources Tbk: http://www.bumiresources.co.id.
while Arutmin markets has several types, which are Senakin coal, Satui Coal, and Ecocool Batulicin, which is called as environmental friendly coal. Coal sales generally intended for steel mills, power plants and other industrial users, both foreign and domestic markets. For export sales to Japan, Mitsubishi Corporation KPC appointed as marketing agent, and for export sales than Japan, KPC pointed Glencore International as a marketing agent. For Arutmin, coal sales to export markets through BHP Billiton Plc and for domestic sales made through Enercorp Ltd.

The Company also has business activities in the oil and gas (oil) through its subsidiary, 42 Gallo Oil (Jersey) Ltd (Gallo). Gallo is currently operating in two oil concessions in the Republic of Yemen, the Block R-2 (East Al Maber) and Block 13 (Al Armah). Gallo has a 50% working interest in Block R2 and 50% working interest in Block 13. Block R2 (East Al Maber) covers an area of 2139 sq. Km. 4

1.2.3 Range of Markets

Market Distribution to South America becomes additional value for investors invest their money in PT Bumi Resources Tbk, after they continue increasing long-term cooperation with utility companies in China, Europe, India, Japan and other Asian countries. Planning of continuity in expanding customer base could make PT Bumi Resources Tbk as one of the world class company in part of coal mining sectors. Within the expanding customer base, PT Bumi Resources Tbk has proven itself a worldclass company in the energy and mining sectors. 5

1.3 Problems Identified

The deceleration of economic growth and negative rumor had succeeded to decline of stock price of coal companies in Indonesia. This is what mostly being faced by coal companies in Indonesia, especially PT Bumi Resources Tbk. The

4 All Paragraphs in title of “operational” based on official website of PT Bumi Resources Tbk: http://www.bumiresources.co.id
5 Source from official website of PT Bumi Resources Tbk: http://www.bumiresources.co.id.
declining of stock price can be occurred by some factors, such as current ratio (CR), earning per Share (EPS), debt to equity ratio (DER), and price to earnings ratio (P/E). According to Pasaribu cited Paulus Wardoyo by (2011, p.1), Fundamental analysis focused on financial report of the company. For the shareholder, the fundamental analysis is giving a clear picture about capital market and the analysis of the company’s management achievement in managing the company’s responsibility. Increasing the stock price in the company has influenced both in terms of internal and external factor. For company management, the increasing of stock price can be achieved by using capital funds of the company effectively and efficiently and vice versa.

The amount of the total demand for shares in the capital market is essentially influenced by the information received from investors about the company. Since market power has an influence to stock price, the information should be accurate in order to know the extent of relationship among variables that can make stock price of a company is getting fluctuation. If the demand of company’s stock is rising, so the price of company’s stock will increase.

The capability of company in paying off current liabilities or it reflects on liquidity of company, can be seen from current ratio (CR). Earnings per share (EPS) are measurement for each ownership unit to run a business in the company. Debt to equity ratio (DER) provides an indication of a company’s capital structure and whether the company is more reliant on borrowing (debt) or shareholder capital (equity) to fund its assets and activities. At last, price to earnings ratio (P/E) shows the number of times the share price covers the earnings per share over a 12 month period. These variables are taken by researcher to analyze the significant influence of declining stock price. Therefore, researcher wants to analyze the influential factors in declining of stock price, especially to PT Bumi Resources Tbk which can be tested by doing research with title is, “The Influence of Current Ratio (CR), Earning per Share (EPS), Price to Earnings Ratio (P/E), and Debt to Equity Ratio (DER) towards Stock Price of PT Bumi Resources Tbk Period 2000 - 2011”.

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1.4 Statement of Problems

Based on the explanation, current ratio (CR), earning per Share (EPS), debt to equity ratio (DER), and price to earnings ratio (P/E) is used to examine the stock price of PT Bumi Resources Tbk in which stated below:

1. Do Current Ratio (CR), Earnings per Share (EPS), Debt to Equity Ratio (DER), and Price to Earnings Ratio (P/E) simultaneously have significant influence toward stock price of PT Bumi Resources Tbk?
2. Does Current Ratio (CR) have significant influence to stock price of PT Bumi Resources Tbk?
3. Does Earnings per Share (EPS) have significant influence to stock price of PT Bumi Resources Tbk?
4. Does Debt to Equity Ratio (DER) have significant influence to stock price of PT Bumi Resources Tbk?
5. Does Price to Earnings Ratio (P/E) have significant influence to stock price of PT Bumi Resources Tbk?

1.5 Research Objectives

This research is to analyze what factors are influencing stock price in PT Bumi Resources Tbk. Thus, the researcher would like to achieve as following below:

1. To determine whether current ratio (CR), earnings per share (EPS), debt to equity ratio (DER), and price to earnings ratio (P/E) together significantly influence toward stock price of PT Bumi Resources Tbk.
2. To determine whether current ratio (CR) significantly influences to stock price of PT Bumi Resources Tbk.
3. To determine whether earning per share (EPS) significantly influences to stock price of PT Bumi Resources Tbk.
4. To determine whether the debt to equity ratio (DER) significantly influences to stock price of PT Bumi Resources Tbk.
5. To determine whether the price to earnings ratio (P/E) significantly influences to stock price of PT Bumi Resources Tbk.

1.6 Significance of the Study

Researcher Benefits

According to researcher, this research can offer knowledge in parts of stocks, financial management, and all aspects that influence stock prices in the stock market.

Company Benefits

As a reference for company which want to improve and maintain the company from its financial report in order to give the best company performance and make the investors want to invest money in PT Bumi Resources Tbk.

Investors’ benefits

For investor, the benefits are to advice investors about the internal factors of declining of stock price of PT Bumi Resources Tbk. This research will be very useful for the investor before saving money as capital investment in the capital market. It certainly gives investors knowledge about what factors are most influential of stock price.

1.7 Theoretical Framework

Theoretical framework is a conceptual model about how theories relate to some factors that has been identified as problem. Some fundamental factors influence stock price, such as financial performance of the company and the tools will be used by researcher to analyze the influence of stock price is from current ratio (CR), earning per Share (EPS), debt to equity ratio (DER), and price to earnings ratio (P/E).
Current ratio (CR) is obtained by dividing current asset to current liabilities. It is useful to know the capability of company in paying short term debt or cash flow problems in the near term. If ratio less than one, it suggested the company may not have sufficient resources to settle its short-term debt obligation if the fell due today. Earnings per share (EPS) compares between net income and total shares outstanding. The higher of earnings per share (EPS) the higher demand of company’s stocks and it will increase the stock price as well. To know how company funds asset and activities, we can see from Debt to equity ratio (DER). A higher ratio generally indicates greater risk; greater debt can result in volatile earnings due to additional interest expense. Then, the higher of price to earnings ratio (P/E) means stock price is getting more expensive to net income per share. If price to earnings ratio (P/E) is increasing, so the stock price of company is increasing as well as return of stock.6

Based on the explanation, the researcher uses current ratio (CR), earning per Share (EPS), debt to equity ratio (DER), and price to earnings ratio (P/E). These ratios can be described in the theoretical frameworks, such as following below:

**Figure 1.2 Theoretical Frameworks**

![Diagram showing relationships between Current Ratio (CR), Earnings per Share (EPS), Debt to Equity Ratio (DER), Price to Earnings Ratio (P/E), and Stock Price.]

*Source: Adjusted by Researcher based on Amalio D’Amato (2010)*

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6 First and second Paragraph developed by researcher from Ebook Australians Shareholders’ Association by Amalio D’Amato (2010)
In figure 1.2 is variable that will be observed by researcher. The researcher will observe current ratio (CR), earning per Share (EPS), debt to equity ratio (DER), and price to earnings ratio (P/E) as independent variables to know the causal factor of declining in stock price.

1.8 Scope and Limitations of the Study

The wide range of factors that relate to this research, the researcher decides to limit this research by using four ratios, such as current ratio (CR), earning per Share (EPS), debt to equity ratio (DER), and price to earnings ratio (P/E) as independent variables and stock price as dependent variable. In this research, the sample taken by researcher is from secondary data of PT Bumi Resources Tbk which its headquarter is at Bakrie Tower 12th floor, Rasuna Said Complex, Jl HR. Rasuna Said Kuningan, Jakarta Selatan 12940 – Indonesia.

1.9 Hypothesis

According to Dyah Ayu Safitry (2012, P.41) Hypothesis is a temporary answer of problem that appears in this research and it will be presented in the question form. Based on problem identified and theoretical framework, the hypothesis of this research such as following bellow:

The first hypothesis
Ho: β1 = 0
(There is no significant influence between independent variables and Dependent variable).
H1: β1 ≠ 0
(There is significant influence between independent variables and Dependent variable).
The second Hypothesis
Ho: $\beta_2 = 0$
(There is no significant influence between current ratio (CR) and stock price of PT Bumi Resources Tbk).
H1: $\beta_2 \neq 0$
(There is significant influence between current ratio (CR) and stock price of PT Bumi Resources Tbk).

The Third Hypothesis
Ho: $\beta_3 = 0$
(There is no significant influence between earning per share (EPS) and stock price of PT Bumi Resources Tbk).
H1: $\beta_3 \neq 0$
(There is significant influence between earning per share (EPS) and stock price of PT Bumi Resources Tbk).

The Fourth Hypothesis
Ho: $\beta_4 = 0$
(There is no significant influence between debt to equity ratio (DER) and stock price of PT Bumi Resources Tbk).
H1: $\beta_4 \neq 0$
(There is significant influence between debt to equity ratio (DER) and stock price of PT Bumi Resources Tbk).

The Fifth Hypothesis
Ho: $\beta_5 = 0$
(There is no significant influence between Price earnings ratio (PER) and stock price of PT Bumi Resources Tbk).
H1: $\beta_5 \neq 0$
(There is significant influence between Price earnings ratio (PER) and stock price of PT Bumi Resources Tbk).
1.10 Definition of Terms

These term below used by researcher to measure the declining in stock price of PT Bumi Resources Tbk:

a. **Current Ratio**
The current ratio is a measurement to pay off short-term liquidity by using its current asset of the company.

b. **Earnings per share (EPS)**
Earnings per share (EPS) is the profit measurement for each share ownership unit that used to as additional funds in running business of the company

c. **Debt to Equity Ratio (DER)**
Debt to equity ratio (DER) is the ratio that describes a comparison between total liabilities and total equity of the company.

d. **Price to Earnings Ratio (P/E)**
Price to earnings ratio (P/E) is the ratio between stock price and earnings per share (EPS) which could be an indicator for developing company growth.
CHAPTER II

LITERATURE REVIEW

2.1 Coal Mining Company in Indonesia

Coal is a very important source of energy for industry and transportation needs in the world. In the past, coal is primary source of fuel for industry in many parts of the world. Starting from Europe and UK was being begun with industry revolution. In that time, the popular and vital transportation is train and using coal as the source of energy to operate it. After that, many coal companies start as new business and expand their operation to fulfill coal needs in the market.

In Indonesia, coal mining company began in the early of 1900’s when Indonesia still in control of Dutch East Indies government under VOC as main company controlled trade in agricultural products. In that time, VOC only had a company in parts of coal mining at Bukit Asam, West Sumatra. The coal production is just for transportation needs of the Dutchman. Finally, after Indonesia became independence over the Dutchman, this coal mining company was handover by Indonesia.

Many other coal mining companies operate under government’s rule develop and expand their business because of increasing industry in Indonesia. In the early 1990’s, many companies which join into public companies, included PT Bukit Asam Tbk and then record its name in the Indonesia Stock Exchange (IDX). A few years later, the coal production was increasing and the government of Indonesia conducted coal exports because of market demand in overseas. Therefore, so many coal companies start to operate in Indonesia until now.\(^7\)

\(^7\) All paragraphs based on website PT Bumi Resources Tbk: http://www.bumiresources.co.id.
2.2 Coal Pricing

Over the time is passed by a weakness of global market condition. It gives not too good impacts for coal companies in Indonesia, in which Indonesia is one of the biggest suppliers for China. Furthermore, the amount of coals that already produced by coal companies is not equal to market demands. Besides, decline in buying power is also the reason of weakness global condition. All those reason exactly made coal pricing of coal companies in Indonesia declined. These below are showing about the coal pricing in a series of time 2001 – 2012.\(^8\)

Table 2.1 Coal pricing per year period 2001 - 2012

<table>
<thead>
<tr>
<th>Year</th>
<th>Price/ Short Ton ($US/st)</th>
<th>Year</th>
<th>Price/ Short Ton ($US/st)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>40</td>
<td>2007</td>
<td>39</td>
</tr>
<tr>
<td>2002</td>
<td>30</td>
<td>2008</td>
<td>85</td>
</tr>
<tr>
<td>2003</td>
<td>35</td>
<td>2009</td>
<td>45</td>
</tr>
<tr>
<td>2004</td>
<td>60</td>
<td>2010</td>
<td>61</td>
</tr>
<tr>
<td>2005</td>
<td>58</td>
<td>2011</td>
<td>78</td>
</tr>
<tr>
<td>2006</td>
<td>55</td>
<td>2012</td>
<td>61</td>
</tr>
</tbody>
</table>

Source: http://www.infomine.com

Figure 2.1 Chart of Coal Pricing $USD/st 2001 – 2011

Source: http://www.infomine.com

\(^8\) Source of coal price from website of Info Mining: http://www.Infomine.com
2.3 Capital Market

Stock market is a market that is prepared to trade stocks, bonds, and the type of securities with the services of the brokerage. Based on Eduardus Tandelilin (2001, p.13), is a meeting between two parties who have surplus of funds and for those who need the funds by trading securities like stock, bonds, and obligation, so the capital market also can be interpreted as a market to trade securities that have maturity date is more than one year. Capital market has important roles in viability of every country. According to Sunariyah (2003, p.7), the important roles of capital market are following below:

a. Capital market is a facilitator in conducting every transaction between the buyers and sellers, as the way to determine merchantability towards stock price and obligations.
b. Capital market can be a chance for the investors to get the expected return.
c. Capital market can be a chance for the publics in reselling its own stocks or even other securities
d. Capital market is created for the publics in order to give an opportunity in participating of the development of an economy.
e. At last, capital market reduces information fees and securities transaction.

In the capital market, there are four types of capital market as well, which are:

a. Primary Market
The primary market offers stock of the company that issued to the investor during the time set by the parties.
b. Secondary Market
It defined as trading stocks through offerings in the modest market.
c. Third Market
The third market is trading shares or other securities through OTC
d. Fourth Market
The market is trading securities between investors or transfer shares from one shareholder to another shareholder without going through a broker.
2.4 Stocks

Loren A. Nikolai and Friends (2008, p.781) argued that stock or capital stock refers to share of stock issued by the company and owned by its stockholders. Each stockholder has their own rights, those are:

- a. The right to share in the profits when a dividend is declared.
- b. The right to elect directors and to establish corporate policies.
- c. The right to maintain a proportionate interest in the ownership of the company by purchasing a proportionate (pro rata) share of additional capital stock, if more stock is issued or it is called a preemptive right, and
- d. The right to share in the distribution of the assets of the company if it is liquidated.

The stock of company is partitioned into shares, and share means a single unit of ownership in a company. A joint stock company divides its capital into shares, which are offered for sale to raise capital, or it is known as issuing shares. Share is also an invisible unit of capital, expressing the proprietary relationship between the company and stockholder. So that means shares represent ownership in a business they invest in the company.

In financial markets, a share is a unit of account for various financial instruments including stocks and investment in limited partnerships. The income received from shares is known as a dividend. A shareholder, also known as a stockholder, is a person who owns shares of a certain company or organization, and become a part-owner of the company. The process of purchasing and selling shares often involves a stockbroker as a middle man.

Historically, investors were given stock certificates as evidence of their ownership of shares. Stock certificate is a legal document that specifies the amount of shares owned by the shareholder, and publishes other specifics about shares, such as par value. In this time, certificates are not always given and
ownership may be recorded electronically by a system such as CREST. There are two types of stock, which are common stock and preferred stock.

2.4.1 Types of Stock

The business may declare different types of shares and it issues two primary classes of stocks, it is generally known as: common stock and preferred stock. Each class has its own set of financial terms and shareholder rights. What kind of stock issuing depends on how we want to handle dividends, and whether or not we want shareholders to have a say in your business. Here are some key differences between the two types of stock.

2.4.1.1 Common Stock

Common stock has no preference to dividends or any distribution of assets. Common stock usually voting rights and it is called capital stocks if its only class on stock that a company outstanding. Common stockholders are the residual owners of a corporation in that they have a claim to what remains after every other party has been paid. The value of their claim depends on the success of the firm. Common stock has the additional benefit of enabling its holders to vote on company issues and when choosing the company's leadership.

2.4.1.2 Preferred Stock

Preferred stock doesn't offer the same profit potential as common stock, but it’s a more stable investment vehicle because it guarantees a regular dividend that isn't directly tied to the market. Preferred stockholders get priority when it comes to the payment of dividends. If a company is liquidated, preferred stockholders get paid before those who own common stock. In addition, if a company goes bankrupt, preferred stockholders enjoy priority distribution of the company's assets; holders of common stock don't receive any corporate assets until preferred stockholders have been compensated. The owner of preferred stock does not get voting rights in the business.
2.4.2 Stock Price

In economic and financial theory, stock price is actually price of a single number of company’s share. Stock price determined as closing market stocks during certain period of observation from every type of stocks that become a sample and always be observed by the investors. According to Dessy Ariani Putri (2010, p.29), the concept of having stock in the capital market is to get profits as much as possible. Go public companies issued the stock to maximize its value from financial management side. This purpose can be achieved by maximizing value of market stock price from issuer. Thus, this decision is always based on a consideration to maximize shareholder wealth. All existing information can affect stock price, it changes when new information comes out. Through this way, new information appears randomly and influences its asset values and stock price.

2.5 Financial statement

Accounting is the information system that identifies, records, and communicates the economic events of an organization to interested users. One of the objectives of accounting is to describe the components that exist in the financial statement in financial reports. Financial statements are a collection of reports about an organization’s financial results and condition. Financial statement is useful for the following reasons:

a. To determine the ability of a business to generate the cash, and it becomes the sources to use of that cash.

b. To determine whether business has the capability pay back its debts.

c. To track financial results on a trend line to spot any looming profitability issues.

d. To derive financial ratio from the statements that can indicate the condition of the business.

e. To investigate the details of the certain business transactions, as outlined in the disclosures that accompany the statements.

There are four basic financial statements, which are balance sheet, income statement, statement of retained earnings, and statement of cash flows. Every company must have financial statement, because for the investors the task of determining the health of a company can be known by looking at it. This is the most important things for Go Public companies which issued stocks. Therefore, the company should be careful to make financial statement and should obey the government’s rules. This below summarize of financial statements with the uses.

**Figure 2.2 Introductions to Financial Statements**

<table>
<thead>
<tr>
<th>Introduction to Financial Statements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Form of Business Organization</td>
</tr>
<tr>
<td>- Sole Proprietorship</td>
</tr>
<tr>
<td>- Partnership</td>
</tr>
<tr>
<td>- Corporation</td>
</tr>
<tr>
<td>User and Uses of Financial Information</td>
</tr>
<tr>
<td>- Internal Users</td>
</tr>
<tr>
<td>- External Users</td>
</tr>
<tr>
<td>- Ethnic in Financial Reporting</td>
</tr>
<tr>
<td>Business Activities</td>
</tr>
<tr>
<td>- Financing</td>
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<tr>
<td>- Investing</td>
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<tr>
<td>- Operating</td>
</tr>
<tr>
<td>A quick lookup Financial Statements</td>
</tr>
<tr>
<td>- Income Statement</td>
</tr>
<tr>
<td>- Retained Earnings Statements</td>
</tr>
<tr>
<td>- Balance Sheet</td>
</tr>
<tr>
<td>- Statement of Cash Flow</td>
</tr>
</tbody>
</table>

Source: [http://highered.mcgraw-hill.com](http://highered.mcgraw-hill.com)

### 2.6 Financial Ratio Analysis

Financial ratio analysis is one of the analyzing methods of financial statements. Basically, ratio analysis establishes meaningful relationship among some financial factors of financial statements in simplified, systematized and summarized form. According to Lawrence J. Gitman and Carl McDanie (2008, p.397), Financial ratio analysis is a way to use financial statements to gain insight into a firm’s operations, profitability, and overall financial condition and it is important to remember that the ration analysis is based on historical data and may not indicate future financial performance.

It means that ratio can help a company to monitor its company’s performance from period to period, as the way to understand operation better and identify

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trouble spots. Financial ratio analysis calculates using data taken from the company’s financial statements in order to assess its condition and to evaluate its effectiveness from overall financial condition in the company. The ratios are used by different users in company comparison for many economic decisions. There are four of main types of ratio analysis, such as profitability ratio, liquidity ratio, leverage ratio and valuation ratio. Compare the company’s ratios over several years and to ratios from other companies in the same industry determines trends and highlights financial strengths and weaknesses.

2.6.1 The Objectives of Financial Ratio Analysis

There are several main objectives of ratio analysis should be known by researchers, those are:  

a. Measurement of the profitability  
b. Judging the operational efficiency of management  
c. Assessing the efficiency of the business  
d. Measuring short and long-term financial position of the company  
e. Facilitating cooperative analysis of the performance  
f. As an indicator of true efficiency  
g. Helping in budgeting and forecasting  
h. Helping in simplifying accounting figures

2.6.2 Methods of Financial Ratio Analysis

According to S. A. Siddiqui (2008, p.623), There are several ways to present analysis of financial statements into financial ratio analysis, such as following below:

a. Percentage Method
   In this method, is to recognize the relationship between two figures and it will be presented in percentage, it means these two figures will be divided and

---

multiplied by a hundred percent, so it will obtain in percentage. It is to search for gross profit, net profit, expenses by percentage method

b. Rate Method

One factor will be related in terms of the other relative factors. For example, the relationship between net profit and net sales will be expressed as net profit margin and presented in times. It is commonly used to calculate asset turnover, liquid ratio, and etc by rate method.

c. Ratio Method

Ratio method is searching for relationship between two factors and it presented in ratio, for example two data from financial statements which are current assets to current liabilities will obtain current ratio.

These are actually three different ratio analysis methods of financial statements that can lead researcher into similar conclusion. Furthermore, based on Elio D’Amato (2010, p.3), there are four major ratios will be used by researcher, which is liquidity ratio, profitability ratio, valuation ratio, and leverage ratio. Then, the researcher will take one ratio in every these four major ratios, which are earnings per share (EPS), current ratio (CR), debt to equity ratio (DER), and price to earnings ratio (P/E).

2.7 Liquidity ratio

Liquidity ratio is used to measure the company’s ability to pay back its short term obligations. The researchers should concern to liquidity ratio in order to know how many short-term obligation of the creditors that must be appropriated by company’s liquid assets. In addition, the short term loans and liabilities should be easily covered by current assets of company. Thus, current assets should be greater than current liabilities. Supposing the case, current assets are lower than current liabilities, or even lower than industry average, the company is definitely facing severe risk of bankruptcy.

According to H. Kent Baker and Gary Powell (2009, p. 48), there are some ratios of liquidity ratio, but the most commonly used in liquidity ratio is such as current
ratio, quick ratio, cash ratio, and net working capital ratio. In this research, the researcher uses Current Ratio (CR) as liquidity instruments.

2.7.1 Current Ratio

Based on Kapil Sheeba (2008, p.121), current ratio is a measurement of short-term liquidity and interprets how much cash and cash equivalent is available in the company with every liability it holds. The formula of current ratio is following below.

\[
\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}
\]

Current assets devote all assets that can be converted easily to cash within one financial year like cash on hand and in bank, debtors, marketable securities, prepaid expense and stock. Current liabilities include creditors, short-term bank borrowing, tax liability, bills payable, accrued expense, and long-term loan that has maturity in that year, and etc.

The ratio is normally 2:1 or evens more, so that means the current assets should be higher than current liabilities, and as the result the company has a good liquidity position. When the company’s current assets decrease, the company still can pay off its dues. Thus, the higher of current ratio, the higher of safety level of a company from bankruptcy. High current ratio can help a company in facing and managing from bankruptcy when company’s sales revenue declined.

As stated more by Kapil Sheeba (2008, p.124), the industry sectors which cannot have a high current ratio is like retail outlets, food restaurant, online sales portal like Amazon, fast-moving consumer goods (FMCG). However, in the real case happening right now, there may several companies that have low current ratio but they can manage well its dues. While in contrast there are some companies that have high current ratio, but they still struggle to manage its dues or liabilities well.
2.7.2 The influence of Current Ratio (CR) towards stock price

The current ratio compares between total current assets and total current liabilities. Current ratio is the ratio to measure the company’s ability by looking at the extent current asset can cover or pay its current liabilities. According to Agnes Sawir (2001, p.8), low current ratio is usually considered as problems in liquidity of the company. Instead, a company that its current ratio is too high, it is not too good because it shows the amount of idle funds that will reduce the ability of company profits. For companies, this ratio is used to measure the ability company to pay short-term obligations. The lower of current ratio indicates high liquidity risk, while a high ratio shows the excess of current assets that will affect profitability of the company.

2.8 Profitability Ratio

The main objective in running business is to earn profit. The ability of a company to earn maximum profit from the available source is known as profitability. Thus, according to Rao M.E. Tukaram (2007, p.99), profitability ratio identifies the profit earning capacity of a business. The company’s profit can be related to its sales, equity, or stock value. Profitability ratios measure how well the company is using its resources to generate profit and how efficiently it is being managed. The main profitability ratios are net profit margin (NPM), return on equity (ROE), and earnings per share (EPS) as stated by Lawrence J. Gitman, and Carl McDaniel (2008, p.393). Therefore, ratio that will be used as profitability instruments is earnings per shares (EPS).

2.8.1 Earnings per Share (EPS)

Earnings per share (EPS) are a good measurement of the company’s profitability. As stated by John A. Tracy (2009 p.82), Earnings per share (EPS) is the profit measurement for each ownership unit that sold in capital market as addinational funds in running business. It is a very important investment number for public companies whose shares are traded on the stock exchange. The researcher should
determine earnings per share (EPS) for several years to understand company’s performance. Increasing in earnings per share (EPS) tend to be good for the companies, whereas declining in earnings per share (EPS) tend to be poor situation. Earnings per share (EPS) should also be compared with the competitors or industry average to recognize company’s performance better. The formula of earnings per share is following below:

\[
\text{Earnings per Share (EPS)} = \frac{\text{Net Income}}{\text{Number of Shares Outstanding}}
\]

Stockholder is provided a copy of the company’s annual (and quarterly) financial reports to evaluate amount of profit from company they invest, included earnings for each share. Many investors use earnings per share (EPS) measure the value of the stock, in which can be used as a barometer for measuring the company’s potential for generating future cash flows and rate of return to shareholders. Based on Gokul Sinsha, in the financial statement analysis book (2009, p.467), the major uses of earnings per share (EPS) is used for the investment analysis.

Based on Statement of Financial Accounting Standards No.128 requires that earnings per share (EPS) be reported items, income from continuing operations, discontinued operations, extraordinary items, and net incomes. The public companies must report their Earnings per share (EPS) at the bottom of their net income statements.

2.8.2 The influence of Earning per share (EPS) towards stock price

The higher earnings per share (EPS), the better is stock collected. Earnings per share (EPS) represent a company’s net income divided by total number of shares outstanding. Changes in earning per shares (EPS) have the biggest influence on stock price over long run. According Stock price increase company profits grow, and decrease when company profits decline. But in the short term, the relationship between earnings per share (EPS) and stock price is not always strong and straightforward. For the investors, it suggested that use annual earnings per share (EPS) to evaluate stocks, but the companies report earnings per
share (EPS) quarterly. However, when the company reports earnings per share (EPS), it can be in line with, below, or above expectations. If the reported amount meets expectations, the earnings per shares (EPS) may not affect the stock price so much because the stock price may have already priced in the expectation. If the earnings per share (EPS) are reported more or less than expected, the stock price may follow to adjust for the difference between the expected and actual numbers, shortly, the stock price change often depends on how much the reported numbers differ from the expected ones.

2.9 Leverage Ratio

Leverage ratio is used to measure the extent of a company’s debt financing and a company utilizes debt to finance growth. According to Elio D’Amato (2010, p.10), leverage ratio can help and provide an indication of a company’s long term solvency. In the leverage ratio, the investors could be aware of the extent of risk that appears on when company’s debt carries its risk.

2.9.1 Debt to Equity Ratio (DER)

This ratio is one of the ways to measure financial leverage of a company. It reflects to company’s ability in fulfilling all liabilities that can be gained from some parts of its owned equity to pay its debts, by comparing between total liabilities and total equity. Besides, debt to equity ratio (DER) is used to know some parts of its equity that can be a warranty to all company’s liabilities or to measure the extent of liabilities that had been used by that company. According to Robert Ang (1997) cited by I Gede Ananditha Wicaksana (2012, p.34), the lower of debt to equity ratio (DER) the higher of the company’s ability in paying of all liabilities. The formula of Debt to Equity Ratio (DER):

\[
\text{Debt to Equity Ratio (DER)} = \frac{\text{Total Liabilities}}{\text{Total Equity}}
\]

However, the debts actually can be positive, provided by the company for productive purposes such as purchasing assets and improving processes to
increase net profits. A higher ratio generally indicates greater risk and greater debt can result in volatile due to additional interest expenses. Instead of other ratios, debt to equity ratio (DER) will be more meaningful when compared over a period of time. According to Elio D’Amato (2010, p.10), if the debt to equity ratio (DER) is lower that prior year, could mean that previous investments are starting pay off, leading to higher retained earnings, and higher shareholder equity eventually.

2.9.2 The Influence of Debt to Equity Ratio (DER) towards Stock Price

According to Agnes Sawir (2000, p.13) Debt to equity ratio (DER) describes the ratio of debt and equity in funding and showing ability of the company’s own equity to fulfill all its liabilities. This ratio actually indicates the ability of company to fulfill all liabilities, both long term and short term liabilities. Financial risks arise from financial leverage that can make of the greater in net income. If the result is shown by profitability of the company is greater than debts, the leverage is profitable and return on capital that use this leverage as equity will increase as well. However, according to Agnes sawir (2001, p.11), when the profitability is lower than debts, the leverage will reduce the profitability of its own equity. Therefore, the leverage can be used to improve return on shareholders, but the risk will keep increase and get losses during in the difficult periods.

2.10 Valuation Ratio

Valuation ratios are used by investors to determine whether the current share price of a company is high or low in relation to its true value. According to According to Elio D’Amato (2010, p.19), Valuation ratios help the investors in assessing a company whether it is cheap or expensive relative to earnings, growths prospects and dividend distributions. Valuation ratio might be reflected to market’s expectations for a stock. The higher ratio, the more market expects from the stocks, hence investors increased willingness to buy the stocks. Moreover according to Alan Neale & Colin Haslam (1989 p.149), if the stock
market values a firm’s prospect highly, then its stock price and even its valuation ratio will rise. If shareholders are dissatisfied with a firm’s financial performance, then they will have capability to sell stocks, in which causing the stock price and valuation ratio fall. In this case, the researcher will only use price to earnings ratio (P/E) as valuation instruments.

2.10.1 Price to Earnings Ratio (P/E)

According to Elio D’Amato (2010, p.19) about the price to earnings ratio (P/E) is:

“The Price to earnings Ratio (P/E) shows the number of time the share price covers the earnings over a 12 month period. It is measured by taking a company’s current share price and dividing this by earnings per share (EPS).”

Price to earnings ratio (P/E) may also be interpreted as how much an investor pays every rupiah that company earns. Its ratio is one of the most widely used ratios for assessing a company’s value. Price to earnings ratio (P/E) cannot be determined without first knowing a company's stock price. The formula of price to earnings ratio (P/E) is below:

\[
\text{Price to Earnings Ratio (P/E)} = \frac{\text{Stock Price}}{\text{Earnings per share (EPS)}}
\]

Price to earnings ratio (P/E) is helpful as an evidence of stock valuation. According to David Van Knapp (2008, p.162), stock purchased when price to earnings ratio (P/E) is low tend to outperform, and valuation ratios are “directionally helpful” when the lower the valuation ratio at time of purchase, the better performance will come up over the time.

2.10.2 The Influence of Price to Earnings Ratio (P/E) towards Stock Price

The price to earnings ratio (P/E) is commonly used in fundamental analysis of stocks. It is not recommended that price to earnings ratio (P/E) is low, because it means stock price is cheap in the market stock.\(^\text{12}\) The higher of price to earnings ratio (P/E), the greater demand for the share. The price to earnings ratio (P/E)

\(^\text{12}\) Source from websites: [http://www.theessentialsoftrading.com](http://www.theessentialsoftrading.com) by John Forman (2011)
describes a stock’s worth based on current or future profits. A company's market value or stock price is used to calculate the price to earnings ratio (P/E). The average P/E ratio for the stock market's largest companies is 15. There are three values to know the relationship between Price to earnings ratio (P/E) and stock price\textsuperscript{13}, which are following below:

a. Undervalued
According to article "The Wall Street Journal" (2012), undervalued means stocks tend to begin better reflecting their price to earnings ratio (P/E) under certain economic conditions, such as a period of rising inflation when the value of assets on a company's balance sheet is also increasing.

b. Highly Valued
Investors can use an overvalued stock as an opportunity to take profits by selling shares at the high price. according to article "The Wall Street Journal" (2012), the stock price is much more likely to reflect price to earnings ratio (P/E), if the company has increased revenues or sales, to support its earnings growth.

c. Uncertainty
Economic and market uncertainty can weaken the relationship between a company's price to earnings ratio (P/E) and its stock price. According to "The Wall Street Journal" (2010), it will be happen when there are different opinions between financial analyst and corporate executives in parts of company’s profit performance; it blurs investor's expectations and can make price to earnings ratio (P/E) declined.

2.11 Previous Research

1. Desi Asriani Putri in her research by the title of “The Influence of Fundamental Analysis Factors towards Stock Price of Manufacturing Companies in Indonesia Stock Exchange (IDX) Period 2003 - 2008”. This research is to determine and examine the factors that influence to stock price

\textsuperscript{13} Source from website: http://www.finance.zacks.com by Geri Terzo
by using Return on Assets (ROA), Debt to Equity Ratio (DER), Net Profit Margin (NPM), Current Ratio (CR), to stock price. This study uses secondary data that obtained from the Indonesian Stock Exchange (IDX). Data were analyzed with linear regression statistical test is where multiple calculations using the Statistic Program for Social Science (SPSS 12). The result of this research showed that two of four variables that examined are not significant, which the variables are DER and NPM, while ROA and CR has significant influence to stock price. The independent variables of this research have simultaneously significant to stock price.

2. In the research by Mohd. Ihsan by the title is “The Influence of Current Ratio (CR), Total Assets Turnover (TATO), Debt to Equity Ratio (DER), Return on Investment (ROI) towards Stock Price of Apparel Industry in Indonesia Stock Exchange (IDX)” which is focusing on Foreign Exchange Bank in the period of 2001 – 2006. However, only seven companies taken by Ihsan and using purposive sampling method as the research method. The source data used by Ihsan is secondary data source from Indonesia capital markets directory (ICMD 2006). Based on the result of F-Test Statistic, it shows that Current Ratio (CR), Total Assets Turnover (TATO), Debt to Equity Ratio (DER), Return on Investment (ROI) have simultaneously significant influence to stock price with coefficient determination is 53.3%, the rest of this percentage cannot be explained in this research. But for the T-Test statistic, it shows that current ratio (CR) and Debt to Equity Ratio (DER) have not significant influence to stock price.

3. Dhitta Ayudia Wulandari in the research of “Analysis of Fundamental Factors toward Stock Price of Mining and Agricultural Industry that Listed in Indonesia Stock Exchange (IDX)”. This research was conducted by Dhitta to determine factors that influence to stock price, particularly for the stock price of mining and agricultural industry. The research method of taking sample uses purposive sampling method, and the researcher just uses 10 companies from mining industry and 8 companies from agricultural industry. The result of this research for mining industry shows that all independent variables are significant influence both partial and simultaneous. But the result for
agricultural industry is just EPS, PER, BVS, ROI, PBV, DER and Beta Stock which have significant influence to stock price with the significant is 0.00.

4. A research had been done by Eri Rizki by the title is “The influence of Earnings per Share (EPS), and Net Profit Margin (NPM) towards Stock Price of PT Bahtera Adimina Samudra Tbk”. Linier regression and correlation is the analysis technique that chosen by the researcher. This research is used to recognize how earnings per share (EPS) and net profit margin can influence in the stock price both partial and simultaneous. The data source is from secondary data that takes from financial reports of the company that recorded in Indonesia Stock Exchange (IDX). This research concludes that there are no influence earnings per Share (EPS) and net profit margin (NPM) toward the stock price of the company.

5. A researcher which named with Rahmadani Fitri examining a research by the title “Analysis of Fundamental Factors and Systematic Risks toward Stock Price” in the manufacturing industry. The fundamental factors that examined are ROA, PBV, DER, PER, DPR, NPM, and Stock Return, while in the systematic risk can be measured by beta stocks. Taking sample uses purposive sampling technique, so that the researcher obtained 10 manufacturer companies that fulfill the criteria of taking sample. The result of this research showed that the fundamental factors that influence to stock price of this research just for ROA, DRR, and NPM. For the systematic risk didn’t have influence to stock price. So that Fitri conclude that the change of stock price can be only influenced by looking at condition and other economic factors.

6. Paulus Wardoyo in the research of “Analysis of Fundamental Factors towards Stock Price of company that listed in Indonesia Stock Exchange (Case Study Real Estate Companies Period 2006 – 2009)”. This research aims to analyze the influence of Return on Equity (ROE), Debt to Equity (DER), and Net Profit Margin (NPM) to stock price. The population of this research consists of 49 companies in specialty of real estate and property companies. The sampling technique used by Paulus is purposive sampling with number of companies that suitable with criteria is only 17 companies. The result of this research reveals that there is only Return on Equity (ROE) that influence to
stock, while Debt to Equity Ratio (DER) and Net Profit Margin (NPM) have no significant influence to stock price. The coefficient of determination is 25.8, and the rest of that percentage is influenced by other factors that not included in this research.

7. In the research by Insi Kamilah Indallah by the title “The Influence of Profitability Ratio toward Stock Price (Case Study Cement Companies Subsector that Listed in Indonesia Stock Exchange (IDX) Period 2007 – 2011)”. This research aims to determine the effect of the ratio profitability on the company's stock price of cement which listed on Indonesian Stock Exchange. Ratio profitability is calculated using the instrument of ROA, ROE, EPS, and NPM as variable Method used in this research is descriptive. The conclusion of the research is all independent variables have coefficient of determination is 0.4868 or it means the stock price is influenced by Return on Assets (ROA), Return on Equity (ROE), Earnings per Share (EPS), and Net Profit Margin as only 48.68% and ratio profitability simultaneously significant influence on the company's stock price of cement which listed on Indonesian Stock Exchange with the significant level is 0.004

8. Ekawati Jati Wibawaningsih in her research “Analysis of the Influence Financial Ratio towards Stock Price GO-Public Manufacturing Company Listed in Indonesia Stock Exchange (IDX)”. This study aims to determine the influence of financial ratio in manufacture sector that represented by Earnings per Share (EPS), Net Profits Margin (NPM), Operating Profit Margin (OPM), Price Earning Ratio (P/E), Price to Book Value (PBV), and Dividend Payout Ratio (DPR) towards stock price period of 2007 – 2010.in this research, Ekawati used secondary data as the data source. The analysis that had been conducted using regression analysis to know the relationship among the seven variables. Based on the result of this research, F-Test value is 97.7% with the significant level is < 0.05. From the T-Test, Earning per share (EPS), Operating Profit Margin (OPM), Price Earning Ratio (P/E), and Price to Book Value (PBV) have positively significant influence to predict the stock price of the company.
9. The research of Andi Susanto by the title “Analysis of the Influence of ROE, EPS, DTA, CR, Cash Ratio, towards Stock Price (Case Study Manufacturing Company that listed in the Indonesia Stock Exchange (IDX))”. The type of research is by using explanatory, which is Andi explained the relationship between the variables through examining of hypothesis that point-out of influence in the variable. The result of this research can be concluded that based on F-Test, the independent variables that are Return on Equity (ROE), Earnings per Share (EPS), Debt to Total Assets (DTA) Current Ratio (CR, and Cash Ratio have significant influence to stock price of manufacture companies that listed in IDX with the coefficient of regression is 266.481. And for the T-Test showed that there is no significant influence between Earning per share and stock price.

The summary of the previous research are shown in Table 2.3 Previous Research such as following below:

**Table 2.2 Previous Researches**

<table>
<thead>
<tr>
<th>No</th>
<th>Researcher</th>
<th>Title</th>
<th>Variable</th>
<th>Methodology</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Desi Asriani Putri</td>
<td>The Influence of Fundamental Analysis Factors towards Stock Price of Manufacturing Companies in Indonesia Stock Exchange (IDX) Period 2003 – 2008</td>
<td>DER, NPM, ROA, CR, Stock Price</td>
<td>Linear Regression</td>
<td>The result of this research showed that two of four variables that examined are not significant, which the variables are DER and NPM, while ROA and CR has significant influence to stock price. The independent variables of this research have simultaneously significant to stock price.</td>
</tr>
<tr>
<td>2</td>
<td>Moh. Ihsan</td>
<td>The Influence of Current Ratio (CR), Total Assets Turnover (TATO), Debt to Equity Ratio (DER), Return on</td>
<td>CR, TATO, DER, ROI, Stock Price</td>
<td>Multiple Regression</td>
<td>Based on the result from T-Test Statistics, Current Ratio (CR) and Debt to Equity Ratio (DER) did not have significant influence to stock price, while the</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th></th>
<th><strong>Investment (ROI) towards Stock Price of Apparel Industry in Indonesia Stock Exchange (IDX) Period 2001 - 2006</strong></th>
<th><strong>other variables of this research are significant to stock price but the most influential factor is Return on Investment (ROI). Otherwise, all independent variables simultaneously significant to stock price.</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>Dhitta Ayudia Wulandari</td>
<td>Analysis of Fundamental Factors toward Stock Price of Mining and Agricultural Industry that Listed in Indonesia Stock Exchange (IDX)</td>
</tr>
<tr>
<td>4</td>
<td>Ery Rizki</td>
<td>The influence of Earnings per Share (EPS), and Net Profit Margin (NPM) towards Stock Price of PT Bahtera Adimina Samudra Tbk.</td>
</tr>
<tr>
<td>5</td>
<td>Rahmadani Fitri</td>
<td>Analysis of Fundamental Factors and Systematic Risks toward Stock Price</td>
</tr>
<tr>
<td></td>
<td>Author</td>
<td>Title</td>
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<tr>
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<td>----------------------------------------------------------------------</td>
</tr>
<tr>
<td>6</td>
<td>Paulus Wardoyo</td>
<td>Analysis of Fundamental Factors towards Stock Price of company that listed in Indonesia Stock Exchange (Case Study Real Estate Companies Period 2006 – 2009)</td>
</tr>
<tr>
<td>7</td>
<td>Insi Kamilah Indallah</td>
<td>The Influence of Profitability Ratio toward Stock Price (Case Study Cement Companies Subsector that Listed in Indonesia Stock Exchange (IDX) Period 2007 – 2011)</td>
</tr>
<tr>
<td>8</td>
<td>Ekawati Jati W.</td>
<td>Analysis of the Influence Financial Ratio towards Stock Price GO-Public Manufacturing Company Listed in Indonesia Stock Exchange (IDX)</td>
</tr>
<tr>
<td>9</td>
<td>Andi Susanto</td>
<td>Analysis of the Influence of ROE, EPS, DTA, CR, Cash Ratio, towards Stock Price (Case Study Manufacturing Company)</td>
</tr>
</tbody>
</table>
CHAPTER III

METHODOLOGY

3.1 Research Method

This research will examine between the research in variables and statement in hypothesis to seek for the influence of fundamental analysis based measurement on current ratio (CR), earnings per share (EPS), debt to equity ratio (DER), and price to earnings ratio (P/E) towards stock price. The type of research that will be used is Multiple Regression research method. Regression is the branch of statistic in which dependent variable of interest is modeled as a linear combination of one or more predictor variables, together with a random error. This includes in estimating the relationship among variables and explores more the form of these relationships. Regression is also widely used for forecasting of what is happening right now and decide the act taken by whom this study is used for.

In this research will indicate how influences independent variables to dependent variable, so we can find the result of this research. The independent variable are current ratio (CR), earnings per share (EPS), debt to equity ratio (DER), and price to earnings ratio (P/E), and the dependent variable is stock price. This research also will use Microsoft excel 2007 and SPSS (IBM SPSS Statistics 19) as application to complete and support of this researcher. Using this application also helps researcher in finding out the result of significant of each variable and relationship between both variables. The result gives some contributions to investors in evaluating stock price, and it also can enhance quality and improve company’s performance or many parties that related to this study.
3.2 Research Instruments

Research instrument is an instrument should be followed and recognized by the researcher before doing a research. There are two main variables that should be known in doing research, those are dependent variable and independent variable. Dependent variable is a variable that affected by other variables, and independent variable is variable that affects other variables that is going to be tested. In this research, researcher will examine four independent variables, which are:

a. Current Ratio (CR)
b. Earnings per Share (EPS)
c. Debt to Equity Ratio (DER)
d. Price to Earnings Ratio (P/E)

The tested variables above will affect stock price (the researcher takes stock price of PT Bumi Resources Tbk). The variables are chosen by researcher in order to explain theoretical consideration between the problems toward the main ratio in financial analysis.

3.3 Sampling Design

3.3.1 Methods of Data Collection

The researcher is using secondary data for this research. The data is to find value of each variable that is going to be tested. The data is collected from some sources, such as following below:

b. Official website of Indonesia Stock Exchange (IDX)\textsuperscript{14}
c. Official Website of PT Bumi Resources Tbk\textsuperscript{15}
d. Indonesia Capital Market Domestic (ICMD)\textsuperscript{16}

\textsuperscript{14} The website of Indonesia Stock Exchange (IDX): \url{http://www.idx.co.id}
\textsuperscript{15} The official Website of PT Bumi Resources Tbk: \url{http://www.bumiresources.co.id}
\textsuperscript{16} The website of ICMD: \url{http://www.icmd.co.id}
3.3.2 Data Type and Source

In this research, the type of data is going to be used is quantitative data, because the quantitative data expressed the numeric data that can analyze non mathematical data or information. The quantitative data taken is based on variables that already decided before doing the research, such as current ratio (CR), earnings per share (EPS), debt to equity ratio (DER) and price to earnings ratio (P/E).

According to A. Asaad (2008, p.5), the data collected must be treated accurately, in order to ensure the accuracy of data. The researcher must know the right sources of collecting data. The researcher uses secondary data since the data was taken from financial statements of official website of company, Indonesia Capital Market Directory (ICMD), and yahoo finance. Moreover, the researcher went to library of Indonesia Stock Exchange (IDX) to find the data source that required in this research. As information, the secondary data means source refers to retrieve information stored through books, periodicals, official websites (Internet), Library of Indonesia Stock Exchange (IDX), or even Indonesia Capital Market Directory (ICMD).

3.4 Multiple Regression Model

According to A. Asaad (2008, p.135) regression analysis refers to a method of analyzing the variability of a dependent variable by selecting to information variable on one or more independent variable. Dependent variable called as response variable, it is a variable whose value we wish to characterize, while independent variable is variable whose effects on dependent variable in the research, and it is called as explanatory variables. Before doing research by using multiple regression method, the variable data should be examined using classic assumption test below.
3.4.1 Classic Assumption Test

Before doing multiple regression research, the researcher has to examine the data by using Classic Assumption test. Classic assumption test is required to recognize the result of estimation multiple regressions that will be conducted are free of multicollinearity test, autocorrelation test, and heteroskedascity test. According to Sudrajat (1988: p. 164), the multiple regression method can be a tool to estimate unbiased if the variables fulfill its requirement of BLUE (best linear unbiased estimator), which there is no heteroskesdacity, multicollinearity, and autocorrelation. Logistic and ordinal regression technique don’t need classical assumption test. Then, classical assumption test is not needed in linear regression that used to count a value in a variable, for example counting stock return use market model. This classical assumption test can be achieved by using normality test, multicollinearity test, autocorrelation test, and heteroskesdacity test.

3.4.1.1 Normality Test

The purpose of normality test is to recognize the dependent and independent variable have normal distribution. The data normality can be detected by creating graph technique like histograms chart from residual as well as normal probability plots, Chi Square, and Kurtosis, and etc. This research will use Normal P-Plot and Histogram as the way to examine normality test. However, if the data is no having normal distribution, the researcher need to do remedial n-normal data by doing data transformation (Log Natural, Square root, inverse, and etc) and Adding samples. The limit of sample size (>25) tend to be normal distribution and for population research don’t need normality test. The normality test actually can be measured by using SPSS statistical software.

3.4.1.2 Multicollinearity Test

According to mason, et.al (2003 p.515), Multicollinearity is the correlation among the independent variables. It means multicollinearity test is used to knowing high correlation between independent variable in multiple linear
regression tests. High collinearity between independent will disturb relationship between independent and dependent variable. However, simple linear regression doesn’t need multicollinearity, and multicollinearity test couldn’t be shown if the research use variables that had been used by prior research with same phenomena in different place.

Test is conducted by looking at tolerance value and variance inflation factor (VIF) from analysis result in SPSS statistical software. To detect and analyze that the data occurred multicollinearity, variance inflation factor (VIF) should be more than 10, and tolerance value should be less than 10 percent. If the variables are having multicollinearity, the remedial of data should be conducted by using additional or new data and combining cross-sectional and time series data.

3.4.1.3 Autocorrelation Test

As stated by Mason, et.al (2003 p.511), autocorrelation is the correlation (relationship) between members of a time series of observation. This test is to know whether any correlation between variable in t period with variables in prior period (t – 1). Auto correlation test is performed for time series data, not for cross sectional data. If the correlation is exist in autocorrelation test that means it is called autocorrelation problem. Good regression model is free autocorrelation doesn’t exist in regression. According to Santoso (2002, p.219), Analyzing autocorrelation test can be conducted by using Durbin-Watson test (D-W = 2(-1-R)). If D-W value is in between -2 until +2 (-2 < DW Value > +2), it means there is no autocorrelation in the data, but if autocorrelation does exist, the researcher should do remedial autocorrelation variables by doing data transformation and transforming regression into difference equation.

3.4.1.4 Heteroscedasticity Test

Heteroscedasticity test is a test to identify variance difference from residual in an observation with other observations. In regression model, it should have residual variance is similar between an observation with other observations or it is called homoskedastic. If the residual variance has different observation with other
observations, it is called Heteroscedasticity. This test will use scatter plots (Graph techniques) as Heteroscedasticity test. In scatter plots, the heteroscedasticity test does not exist in the regression model if it is not form in certain patterns and spread randomly in above and under zero value.

3.4.2 Testing Hypothesis
3.4.2.1 Coefficient of Correlation (R)

The first thing of testing hypothesis is the researcher should obtain the coefficient of correlation, in order to get the strength correlation between each independent variable to dependent variable (two variables). The data showed can be positive or negative, which means each variable has negative or positive correlation to another variable. If the data from the correlation table does not gain zero (0) value, the variable data is passed from examining coefficient of correlation. And if the value obtained is zero (0), the variable can not be used into the multiple regression analysis, because the variable has no correlation to another variable.

3.4.2.2 Multiple Regression

In this research, the researcher would like to analyze the influence of fundamental factors based measurement on current ratio (CR), earnings per share (EPS), debt to equity ratio (DER), and price to earnings ratio (P/E) towards stock price, knowing the causes factor of declining of stock price in PT Bumi Resources Tbk. The researcher will use multiple regression analysis because of using more than two variables. The variables of this research are following below.

\[
Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon
\]

\[
Y = \text{Share Price}
\]

\[
X_1 = \text{Current ratio (CR)}
\]

\[
X_2 = \text{Earnings per Share (EPS)}
\]

\[
X_3 = \text{Debt to Equity Ratio (DER)}
\]
X4 = Price to Earnings Ratio (P/E)

β0 = Intercept/ Constant (Value of Y when X = 0)

βi = Regression coefficient of the i independent variable

ε = Random error

When the researcher knows that two variables are closely related each other, the researcher can estimate the value of one variable given the value of another; this is known as regression analysis. The calculation from the degree of closeness is based on the regression equation that will be researched by researcher.

3.4.2.3 T-Test

According to Supranto (2004, p.63), T-test is commonly used to analyze the partial relationship between each of independent variables and dependent variable. The null hypothesis accepted if the coefficient of independent variable is 0 (zero). If the significance level for the T-test is low (Significance level α is 0.05), it means rejecting Ho and conclude that the linear relationship does exist.

a. Ho : βi = 0 or if Significance T >α, accept Ho

b. Ha : βi ≠ 0, if significance T <α, reject Ho

3.4.2.4 F-Test

F-test is used by researcher to analyze relationship between set of independent variables and dependent variable simultaneously. This test is use to analyze statistical test of the null hypothesis which stated whether there is no linear
relationship between independent variable to dependent variable or not. If the significance level for F-test is low (Significance level \( \alpha \) is 0.05), it means rejecting \( H_0 \) and conclude that the linear relationship does exist.

\[ H_0: \; \beta_1 = \beta_2 = \beta_3 = \beta_4 = 0 \; \text{or if significant } F > \alpha, \; \text{accept } H_0 \]

\[ H_a: \; \text{at least there is one } \beta_i \neq 0, \; \text{significant } F < \alpha, \; \text{reject } H_0 \]

3.4.2.5 Coefficient of Determination (R2)

Coefficient of determination or R Square (R2) indicates the proportion of the variance in the criterion variable (dependent variable) which is accounted for by the model regression. In essence, this is a measure of how good a prediction of the criterion variable (dependent variable) can make by knowing the predictor/observed variables (independent variable).

Adjusted R Square value is calculated which takes into account the number of variables in the model and the number of observations (participants) the regression model is based on. This Adjusted R Square value gives the most useful measure of the success of our model. In other word, every single independent variable that added in the model regression will definitely change the R square. Std. Error of the Estimate is the probability error of the prediction.

3.5 Research Limitation

The research limitation of this research only uses financial statement and stock price of PT Bumi Resources Tbk period 2000 – 2011. However, the data taken is quarterly financial statement which means every three months (four times per year).
CHAPTER IV

DATA ANALYSIS AND INTERPRETATION OF RESULT

4.1 Object Statistical Description

In the table of descriptive statistics, the researcher can find out the average of each data, such as mean, standard deviation or correlation, number of observation, minimum and maximum values. Descriptive statistics are used to describe the basic features of the information data in a study, and the data in a table of descriptive statistics provide the summaries about the variables. Descriptive statistics are used to present quantitative description in a manageable form. Moreover, the researcher will use SPSS 19 as the application to support this research and help the researcher to find the result data of descriptive statistics from sample data of this research. Based on this data, the researcher can measure and examine the data observation that must be come up with normal distribution. That is the way to make sure the observation is valid in the normal distribution.

Table 4.1 Descriptive Statistics

<table>
<thead>
<tr>
<th>Descriptive Statistics</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock Price</td>
<td>48</td>
<td>1.30</td>
<td>3.91</td>
<td>2.7671</td>
<td>.72711</td>
</tr>
<tr>
<td>CR</td>
<td>48</td>
<td>.09</td>
<td>2.05</td>
<td>.9206</td>
<td>.43154</td>
</tr>
<tr>
<td>EPS</td>
<td>48</td>
<td>-.46</td>
<td>376.72</td>
<td>72.9679</td>
<td>93.73906</td>
</tr>
<tr>
<td>DER</td>
<td>48</td>
<td>.01</td>
<td>13.68</td>
<td>4.2096</td>
<td>2.90198</td>
</tr>
<tr>
<td>P/E</td>
<td>48</td>
<td>-4852.14</td>
<td>1643.71</td>
<td>-50,9587</td>
<td>758,10405</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>48</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: research results by using SPSS 19.0 (Appendix III)
There are four independent variables that will be used by researcher, such as CR, EPS, DER, and P/E with number of data observations are 48 data. These data observation derives from quarterly financial reports of the biggest coal mining companies in Indonesia, which is PT Bumi Resources Tbk from 2000 until 2011. The researcher is conducting these data observations to analyze stock price based measurement on fundamental analysis. This table also describes variables that will be observed by researcher.

The first independent variable, current ratio (CR), has the minimum data value 0.09 that was happening in third quarter of year 2000 and the maximum data value is 2.05 in second quarters or year 2011. This variable has mean value and standard deviation, which is 0.9206 and 0.43154 respectively. The second independent variable is earnings per share (EPS). This independent variable has minimum data value is -0.46 that had been occurred in the third quarter of year 2001 and maximum data value is 376.72 in the third quarter of year 2007. The data observation of this research shows that mean value of earnings per share (EPS) of PT Bumi Research Tbk from 2000 until 2011 is 72.9679 and the standard deviation is 93.73906.

The third one is debt to equity ratio (DER) with minimum value is 0.01 in first quarter and year 2000. The maximum of debt to equity ratio (DER) is 13.68 in last quarter of year 2003. The data that will be analyzed above shows the mean or average of value of debt to equity ratio (DER) is with 4.2096 and its standard deviation is 2.90198. The last independent variable of this research is price to earnings ratio (P/E), which the minimum data value is -4852.40 in first quarters of year 2000 and maximum data value is 1643.71 in second quarters of year 2000 as well. Based descriptive statistic, the researcher knows mean or average of Price to earnings ratio (P/E) of PT Bumi Resources Tbk from 2000 until 2011, which is -0.9360 and standard deviation is 8,95076.

Then for dependent variable is stock price, which has mean or average of stock price during period of research is 2.7671 is smaller than standard deviation is 0.72711, as well as the distance between minimum and maximum data value is
not too far, which minimum value is 1,30 and maximum value is 3,91. The data of stock price used \( \text{LOG} \, (N) \) because the value of stock price is not equal to ratio in the independent variables, so that to adjust the value among variables the researcher decides to use \( \text{LOG} \, (N) \) to make an the same value of each variable. Therefore, based on table 4.1 the researcher can conclude result of this descriptive statistics is that earnings per share (EPS) and price to earnings ratio (PER) have bigger standard deviation rather than its mean or average. However stock price, current ratio (CR), and debt to equity ratio have bigger mean or average than its standard deviation which happened because data variance of each variable is low.

4.2 Classic Assumption Test Result

The researcher needs to examine the data observed before doing analysis of each independent variable to dependent variable by using classic assumption test. Commonly, the classic assumption test consists of normality test, autocorrelation test, multicollinearity test, and heteroscedasticity test. In the multiple linear regressions, classic assumption test is the most important requirement that must be fulfilled in order to maximize the accuracy of data observed before analyzing the data. If there is one of the requirements of these test that is not be fulfilled, so that the researcher should reexamine and revise the data observed, and after that the researcher can continue to the next step of multiple linear regression.

4.2.1 Normality Test

Normality test, used to measure the data observed has been normally distributed appropriate with requirement of the research. There are several methods to measure normality test, but the researcher will take P-Plot and histogram normality test as the measurement of this research. P-Plot and histogram normality test is a tested that using graphical method to examine normality test. By using graphical method, the researcher can recognize the data that will be observed is normal compared to normal data distribution data on average of each data. Thus, the researcher uses SPSS 19 in finding out and assisting this research and the result of P-Plot normality test is following below.
Based on the figure 4.1 P-Plot normality test SPSS results, it showed that data distribution follows and in around of diagonal line properly. Thus, the researcher concludes that model that will be used in this research meets normality assumption. Looking at data distribution in the graphic above, the researcher indicates that model used in this research is normal. This decision taken by researcher appropriates with Singgih Santoso (2001) opinions, cited by Dianti Muriani (2008, p.76), which are:

a. If data distribution is in around of diagonal line and following the direction of diagonal line, so that the multiple linear regression meets normality test assumption.

b. If data distribution is away from diagonal line or not following the direction of diagonal line, so that the multiple linear regression doesn’t meet normality test assumption.

Besides, the normality test assumption can be seen by using histogram normality test. In the histogram normality test use graphic method such histogram to
indicate the data distribution is normally distributed. The graph is actually like a bell curve such as following in the figure 4.2 below.

![Figure 4.2 Histogram Normality Test of Dependent Variable](image)

Source: research results by using SPSS 19.0 (Appendix III)

Based on the figure 4.2, it shows the graphic is bell shapes alike, which illustrate that the data distribution is normally distributed. This result is agree with Robert H. Carver (2009, p.121), the resulting histogram is generally mound-shaped or bell-shaped and following normal curve relatively well, and therefore is acceptable with researcher’s purposes. If the data distribution were not bell-shaped, the researcher should use a nonparametric technique.

### 4.2.2 Autocorrelation Test

Autocorrelation test aims to examine whether there is correlation between two observation errors in (t) period and in (t-1) period. This test can be conducted by using Durbin-Watson (DW) Method. The researcher used this method to ensure that each variable releases from autocorrelation test. To release in this autocorrelation test, data of Durbin Watson (DW) value must be in range of -2 until +2. The result of this autocorrelation can be analyzed in the table 4.2 following below.
Table 4.2 Durbin Watson (DW) Results

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.797&lt;sup&gt;a&lt;/sup&gt;</td>
<td>.636</td>
<td>.602</td>
<td>.45870</td>
<td>.966</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), P/E, EPS, DER, CR  
b. Dependent Variable: Stock Price

*Source: research results by using SPSS 19.0 (Appendix III)*

In the table 4.2, the result of this autocorrelation test shows that Durbin-Watson (DB) value is 0.966. This value is in order number between of -2 and 2, which means 
\[-2 \leq 0.966 \leq 2\]. Therefore, the researcher can conclude that in the research, multiple linear regressions is no having problems in terms of autocorrelation test and the researcher can keep proceed this multiple regression model.

### 4.2.3 Multicollinearity Test

Multicollinearity test aims to examine each of independent variables whether there is strongly relationship between each variable in the regression model. This test can be conducted by using value of tolerance and Variance inflation factor (VIF). According to Singgih Santoso (2002, p.357), using value of tolerance and variance inflation factors (VIF) can be the guidance for the researcher to determine this multiple regression is free from multicollinearity, and this below is the guidance of regression model to free from multicollinearity test, which are:

a. Each variable should have variance inflation factor (VIF) is less than 10  
b. Each variable should have tolerance value is more than 10%.
### Table 4.3 Multicollinearity Test

<table>
<thead>
<tr>
<th>Model</th>
<th>Coefficients</th>
<th>Standardized Coefficients</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unstandardized</td>
<td>Standardized</td>
<td>Beta</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>1.528</td>
<td>.192</td>
</tr>
<tr>
<td></td>
<td>CR</td>
<td>.858</td>
<td>.168</td>
</tr>
<tr>
<td></td>
<td>EPS</td>
<td>.003</td>
<td>.001</td>
</tr>
<tr>
<td></td>
<td>DER</td>
<td>.054</td>
<td>.024</td>
</tr>
<tr>
<td></td>
<td>P/E</td>
<td>7.824E-5</td>
<td>.000</td>
</tr>
</tbody>
</table>

Dependent Variable: Stock Price

Source: research results by using SPSS 19.0 (Appendix III)

In the table 4.3 examines multicollinearity test in the regression model, the researcher should use this table and in the collinearity statistic column. The researcher can conclude that each variable in this regression model is free from multicollinearity test, because tolerance value is more than 10% and variance inflation factor (VIF) is less than 10 which it appropriates with the guidance theory attached above. Therefore, in this research this multicollinearity test doesn’t exist among independent variables.

#### 4.2.4 Heteroscedasticity Test

Heteroscedasticity test aims to examine whether in the multiple linear regression is having residual inequality of variance from one observation to another observation. If the data observation of each variable in this regression model has similarity to other variables, so it is used to be called as homoskedasticity. However, the good model for multiple linear regression research is homoskedasticity. According to Singgih Santoso (2002), cited by Dianty Muriani (2008, p61), if there is no the clear shaped-alike and spread out the data randomly in above and below number 0 in Y axis, so that means the multiple linear regression model is free from heteroscedasticity test.
In this research, the result of heteroscedasticity test being observed by using graphic method, which researcher can look at the picture in the scatter plot, and analyze the certain shaped-like captured in the graphic, such as following table 4.4 below.

Figure 4.3 Heteroscedasticity Test Results

![Scatterplot](image)

Source: research results by using SPSS 19.0 (Appendix III)

Based on Figure 4.3 the result of scatterplot dependent variable that was being examined by researcher and compare to the theory of examining heteroscedasticity test above, this multiple linear regression model meets requirement for heteroscedasticity test and can not obtain heteroscedasticity or it is called as homokesdasticity.

4.3 Testing Hypothesis Results

4.3.1 Correlation (R)

A correlation analysis is performed to quantify the strength of association between two numeric variables. The variables used in this correlation analysis is
stock price, current ratio (CR), earnings per share (EPS), debt to equity ratio (DER), price to earnings ratio (P/E). In the following table the researcher will show the result of Pearson correlation table to know whether the data between two variables have relationship or not.

**Table 4.4 Correlation**

<table>
<thead>
<tr>
<th>Correlations</th>
<th>Stock Price</th>
<th>CR</th>
<th>EPS</th>
<th>DER</th>
<th>P/E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation Stock Price</td>
<td>1,000</td>
<td>.694</td>
<td>.634</td>
<td>.105</td>
<td>.090</td>
</tr>
<tr>
<td>CR</td>
<td>.694</td>
<td>1,000</td>
<td>.534</td>
<td>-.090</td>
<td>-.107</td>
</tr>
<tr>
<td>EPS</td>
<td>.634</td>
<td>.534</td>
<td>1,000</td>
<td>-.194</td>
<td>.074</td>
</tr>
<tr>
<td>DER</td>
<td>.105</td>
<td>-.090</td>
<td>-.194</td>
<td>1,000</td>
<td>.155</td>
</tr>
<tr>
<td>P/E</td>
<td>.090</td>
<td>-.107</td>
<td>.074</td>
<td>.155</td>
<td>1,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sig. (1-tailed)</th>
<th>Stock Price</th>
<th>CR</th>
<th>EPS</th>
<th>DER</th>
<th>P/E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock Price</td>
<td>.</td>
<td>.000</td>
<td>.000</td>
<td>.239</td>
<td>.271</td>
</tr>
<tr>
<td>CR</td>
<td>.000</td>
<td>.</td>
<td>.000</td>
<td>.271</td>
<td>.235</td>
</tr>
<tr>
<td>EPS</td>
<td>.000</td>
<td>.000</td>
<td>.</td>
<td>.093</td>
<td>.308</td>
</tr>
<tr>
<td>DER</td>
<td>.239</td>
<td>.271</td>
<td>.093</td>
<td>.</td>
<td>.146</td>
</tr>
<tr>
<td>P/E</td>
<td>.271</td>
<td>.235</td>
<td>.308</td>
<td>.146</td>
<td>.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>N</th>
<th>Stock Price</th>
<th>CR</th>
<th>EPS</th>
<th>DER</th>
<th>P/E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock Price</td>
<td>48</td>
<td>48</td>
<td>48</td>
<td>48</td>
<td>48</td>
</tr>
<tr>
<td>CR</td>
<td>48</td>
<td>48</td>
<td>48</td>
<td>48</td>
<td>48</td>
</tr>
<tr>
<td>EPS</td>
<td>48</td>
<td>48</td>
<td>48</td>
<td>48</td>
<td>48</td>
</tr>
<tr>
<td>DER</td>
<td>48</td>
<td>48</td>
<td>48</td>
<td>48</td>
<td>48</td>
</tr>
<tr>
<td>P/E</td>
<td>48</td>
<td>48</td>
<td>48</td>
<td>48</td>
<td>48</td>
</tr>
</tbody>
</table>

*Source: research results by using SPSS 19.0 (Appendix III)*

In table 4.4 the result of correlation showed that the data between two variables have strength relationship and there are no variables of this research that have no correlation between two variables. Thus, each variable can be used in this multiple regression results.

### 4.3.2 Multiple Regression

#### a. Partial Test (T-Test)

T-Test is used by researcher to verify hypothesis test partially of the research, whether there is significant influence between each of independent variables to dependent variable. In this multiple linear regression model, the independent
variable used is current ratio (CR), earnings per share (EPS), debt to equity ratio (DER) and price to earnings ratio (P/E), and dependent variable used is stock price. T-Test is commonly used by researcher to compare between T-Value of each variable and significant level of T-Test (this regression model is using significant level $\alpha = 0.05$). Therefore, the result of this T-Test can be analyzed at coefficients table such following below.

**Table 4.5 Partial Test (T-Test) Results**

<table>
<thead>
<tr>
<th>Coefficients$^a$</th>
<th>Model</th>
<th>Unstandardized</th>
<th>Standardized</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Coefficients</td>
<td>Coefficients</td>
<td>Statistics</td>
</tr>
<tr>
<td></td>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td></td>
<td>1,528</td>
<td>.192</td>
<td></td>
</tr>
<tr>
<td>CR</td>
<td>.858</td>
<td>.186</td>
<td>.509</td>
<td></td>
</tr>
<tr>
<td>EPS</td>
<td>.003</td>
<td>.001</td>
<td>.398</td>
<td></td>
</tr>
<tr>
<td>DER</td>
<td>.054</td>
<td>.024</td>
<td>.215</td>
<td></td>
</tr>
<tr>
<td>P/E</td>
<td>7,824E-5</td>
<td>.000</td>
<td>.082</td>
<td>.857</td>
</tr>
</tbody>
</table>

Dependent Variable: Stock Price

*Source: research results by using SPSS 19.0 (Appendix III)*

Based on the result of T-Test in the table 4.5, it shows that there are three independent variables are partially significant to dependent variable, which are current ratio (CR), earnings per share (EPS), and debt to equity (DER). The independent variable which is not significant to dependent variable is price to earnings ratio (P/E). However, further explanation about T-Test will be analyzed below.

The first hypothesis is the influence of current ratio (CR) to stock price (Y), which obtained that T-Value of current ratio (CR) is partially significant to stock price. T-Value of current ratio (CR) is 4.605, B coefficient is positive 0.858 with the significant level is 0.000 or below 0.05. The researcher can conclude that current ratio (CR) has positively significant to stock price and it refers to the high or low current ratio will head for the same direction for the stock price. So that null hypothesis rejected and alternative hypothesis accepted. It is in good
condition in which current assets is higher than current liabilities, so that the company still able to cover the current liabilities by using its current assets. Based on the financial statement period 2000 -2011, PT Bumi Resources Tbk is not always in good position of its current assets and current liabilities, so it will influence to the result of its current ratio (CR). In this case, because of the lower Current Ratio of PT Bumi Resources Tbk, it gives high liquidity risk for the company where it positively will lack of reliance for investors in investing the stocks. Thus, the current ratio (CR) of PT Bumi Resources Tbk has positive significant influence to stock price. The result of this hypothesis in this research is appropriate with the result researched by Desi Asriani Putri (2010) which current ratio as indicator of fundamental factor has significant influence to stock price for manufacturing companies 2003 – 2008.

The second hypothesis of this research is the influence of earnings per share (EPS) to stock price (Y). Earnings per share (EPS) are significant to stock price. T-Value of earnings per share (EPS) is 3.542 with the significant level of earnings per share (EPS) is 0.001 or lower than significant level α and B coefficient is positive 0.003. Based on this result, the researcher can conclude that earnings per share (EPS) have positive significant influence to stock price. Thus, null hypothesis (Ho) rejected and alternative hypothesis (H1) accepted, which there is significant influence earnings per share (EPS) to stock price of PT Bumi Resources Tbk. It elaborates earnings per share (EPS) leads to the same direction with the number of stock price. Based on the theory from Gokul Sinsha (2009, p.467), that Investors will compare stock price by using variable earning per share (EPS). Computing stock price to earning per share helps the investors to reveal the relation between two. It reveals the investors’evaluation about the future cash flow of the company. Stock price increases the company profits grow, and decrease when company profits declined. The result is agreed with this theory, where stock price can be influenced by earnings per share. However, The result of this hypothesis appropriate to the research of Dhatta Ayudia Wulandari that examine Earnings per Share (EPS).
The third hypothesis is the influence of debt to equity ratio (DER) to stock price of PT Bumi Resources Tbk period 2000 – 2011. Debt to equity ratio (DER) is significant to stock price. T-Value of earnings per share (EPS) is 2.259, B Coefficient is 0.215 with the significant level of debt to equity ratio (DER) is 0.029 or lower than significant level $\alpha$ 0.05 ($0.029 \leq 0.05$). Based on this result, the researcher can conclude that debt to equity ratio (DER) has positive significant influence to stock price of PT Bumi Resources Tbk. and it refers to the same direction of stock price value. The result of this hypothesis is null hypothesis (Ho) rejected alternative hypothesis (H1) accepted. This result appropriates with Mohd. Ihsan regarding influence of debt to equity ratio (DER) to stock price in food and beverage companies from 2008 – 2010. In this case, mostly total of PT Bumi Resources Tbk is lower than its liabilities, and then it can be one reason for the company in influencing of stock price, because the researcher is agree with Agnes sawir (2001, p.11) stated that when the profitability is lower than debts, the leverage will reduce the profitability of its own equity and risk will keep increase when the debt keep increases as well. If the risks keep increases, it will be a problem for the company where the investors reluctant to buy the stocks in the company, and the stock price will decrease eventually. While in contrast, when the company’s profitability is greater than debts, the risk of getting losses is low, so that the investors is willing to buy the stocks, then the stock price will keep increase afterwards.

The last hypothesis is to recognize the influence of price to earnings ratio (P/E) to stock price of PT Bumi Resources Tbk. The price to earnings ratio (P/E) is partially not significant to stock price. T-Value of price to earnings ratio (P/E) is 0.857 with the significant level of price to earnings ratio (P/E) is 0.396 or greater than significant level $\alpha$ 0.05 ($0.396 \geq 0.05$) and B Coefficient is 0.082. In this multiple linear regression model, the researcher can conclude that price to earnings ratio (P/E) is not significant to stock price of PT Bumi Resources Tbk. It means price to earnings ratio (P/E) is not related to stock price of PT Bumi Resources Tbk, and it determines that the high or low price to earnings ratio (P/E) will not influence to high or low in stock price of PT Bumi Resources Tbk.
The result of this hypothesis is null hypothesis (Ho) accepted and alternative hypothesis (H1) rejected, which means there is no significant influence between price to earnings ratio (P/E) and stock price of PT Bumi Resources Tbk. The hypothesis result didn’t appropriate the research of Ekawati Jati Wibawaningsih regarding analysis the significant influence of price to earnings ratio (P/E) to stock price. Theoretically, the price to earnings ratio (P/E) is related to stock price because price to earnings ratio (P/E) compares between stock price and earnings per share (EPS). And it is commonly used as factors of fundamental analysis of stocks. But it should become another factor that makes price to earnings ratio (P/E) is not significant to stock price of PT Bumi Resources Tbk. According to Wall street Journal (2010), that makes relationship between price to earnings ratio (P/E) and stock price is weaken or not influence because there is another thing involved in, such as uncertainty of economic and market. in this case, the influence of deceleration of economic growth that impacts to PT Bumi Resources Tbk is included in case of uncertainty of economic and market, where the company has no guarantee for selling its coal in overseas because lack of demand of coal. Thus, the investor can use this ratio as indicator of declining stock price. It will be happened when there are different opinions between financial analyst and corporate executives in parts of company’s profit performance; it blurs investor's expectations and makes price to earnings ratio (P/E) declined. Therefore, in this research, the researcher concludes that null Hypothesis (Ho) accepted, and alternative hypothesis (H1) rejected.

b. Simultaneous Influence Test (F-Test)

The significant influence simultaneously of current ratio (CR), earnings per share (EPS), debt to equity ratio (DER), and price to earnings ratio (P/E) to stock price of PT Bumi Resources Tbk period 2000 – 2011 can be measured by using F-Test. Besides, this test can be used to examine the hypothesis of this research. Furthermore, the researcher uses 0.05 of the significant F level as the way to know the significant influence of all independent variables to dependent variable. The result of F-Test can be seen at analysis of variance (ANOVA) table below.
Table 4.6 Simultaneously Influence Test (F-Test)

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>15,801</td>
<td>4</td>
<td>3,950</td>
<td>18.775</td>
<td>.000a</td>
</tr>
<tr>
<td>Residual</td>
<td>9,047</td>
<td>43</td>
<td>.210</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>24,849</td>
<td>47</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), P/E, EPS, DER, CR
b. Dependent Variable: Stock Price

Source: research results by using SPSS 19.0 (Appendix)

According to the result of F-Test in table 4.6, the researcher found the F value is 18.775 with the significant F-Value of this multiple linear regression model is 0.000. Since the researcher decides to use α 0.05 of significant level which is greater than the P-Value, so that the researcher can conclude that this multiple regression model can be used to evaluate and analyze stock price based measurement on fundamental analysis. The result of F-Test to this research is that null hypothesis (HO) rejected and alternative hypothesis (H1) accepted, in which alternative hypothesis (H1) stated that simultaneously there is strong significant influence between independent variables towards dependent variable, which is stock price of PT Bumi resources Tbk.

4.3.3 Coefficient of Determination (R²)

To determine the expediency multiple linear regression model in this research, so that the researcher should look at from R Square sides. The high or low determination coefficient (R²) of hypothesis can be seen at table 4.7 below.

Table 4.7 Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.797a</td>
<td>.636</td>
<td>.602</td>
<td>.45870</td>
<td>.966</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), P/E, EPS, DER, CR
b. Dependent Variable: Stock Price

Source: research results by using SPSS 19.0 (Appendix)
In the table 4.7 the result of regression analysis shows that the coefficient of correlation (R) is 0.797, which that means there is a 79.7% strongly relationship between independent variables, such as current ratio (CR), earnings per share (EPS), debt to equity ratio (DE) and price to earnings ratio (P/E) to dependent variable, which in this research is stock price. The number of coefficient determination (R²) is to evaluate the model’s ability to illustrate variation in dependent variable. In this research, the value of coefficient determination (R²) is 0.636. The researcher can conclude that stock price, which is influenced by current ratio (CR), earnings per share (EPS), debt to equity ratio (DE) and price to earnings ratio (P/E) is as many as 63.6% and the rest of this percentage (100% - 63.6% = 36.4%) is influenced by other factors that not involved and discussed in this research. Moreover, adjusted R² and Standard error of the estimate is 0.602 and 0.45870 respectively.

4.3.4 Regression model Result

The multiple linear regressions are used to analyze the independent variables to dependent variable simultaneously. In this research, the researcher wants to determine the influence of stock price of PT Bumi Resources Tbk, period from 2000 until 2011. Therefore, the researcher examines the hypothesis of this research by using multiple linear regressions, such as following below.

Table 4.8 Unstandardized Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>1.525</td>
<td>.192</td>
</tr>
<tr>
<td></td>
<td>CR</td>
<td>.830</td>
<td>.183</td>
</tr>
<tr>
<td></td>
<td>EPS</td>
<td>.003</td>
<td>.001</td>
</tr>
<tr>
<td></td>
<td>DER</td>
<td>.058</td>
<td>.023</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Stock Price

Source: research results by using SPSS 19.0 (Appendix)
Based on the table 4.8 unstandardized coefficients, the researcher can take result for the equation of regression model, which is:

\[
\text{Stock Price (Y)} = 1.525 + 0.830(\text{CR}) + 0.003(\text{EPS}) + 0.058(\text{DER})
\]

The constant of regression model above is 1.525, it means that if all independent variables are not significant (zero), so that stock price value will get constant value or 1.525.

In this regression model, the coefficient of variable X1, which is current ratio (CR), is +0.858. The sign of positive (+) means there is positive relationship between both variables and has continuous relationship. If the current ratio (CR) increased, then the stock price will increase continually. This coefficient of current ratio (CR) explained every increasing one percent of current ratio (CR) with suppose other independent variables are fixed, so that it will increase 0.858 of current ratio.

The coefficient of second independent variable (X2), which is earnings per share (EPS) are +0.003. The sign of positive (+) means there is positive relationship between earnings per share (EPS) and stock price. If the earnings per share (EPS) increased, so the stock price will sustainably increase. The coefficient of earnings per share (EPS) means every increasing one percent of earnings per share (EPS) with suppose other independent variables are fixed, so that it will increase 0.003 of earnings per share (EPS) afterwards.

The coefficient of third independent variable (X3), which is debt to equity ratio (DER) are +0.054. The sign of positive (+) means there is positive relationship between debt to equity ratio (DER) and stock price. If the debt to equity ratio (DER) increased, so the stock price will increase as well. The coefficient of debt to equity ratio (DER) means every increasing one percent of debt to equity ratio (DER) with suppose other independent variables are fixed, so that it will increase 0.054 of debt to equity ratio (DER).
4.4 Interpretation Data

PT Bumi Resources Tbk has the biggest coal reserves in Indonesia, because this company has 30% of all coal reserves in Indonesia. Therefore, PT Bumi Resources Tbk is included in one of the biggest coal mining companies in Indonesia. This historical did not mean company had succeeded already, because the progress of the company can be disturbed, when uncertainty of economic and market come up with the global crisis. Eventhough, that company is one of the biggest companies in Indonesia, there is no guarantee that the company will safe from the global crisis.

The company should have a big effort to convince the investors and they will get return of this investment in order to make the investors are willing to invest stocks as the capital to the company, or investors tend to do disbursement of funds when the stock price of company is decreasing. In the other words, the company will have difficulty in paying long-term debts and short-term debts and struggling to pay debts. The company that can move out from difficulty is the only company can control and manage-well from all aspects and survive in the complicated situation.

It actually examines stock price based on fundamental analysis. Otherwise, this research is actually included in quantitative research analysis that measure the influence of stock price based on fundamental analysis factors. Fundamental analysis depends on financial literature of the company, but the proponents of the analysis of the stock price focuses their interest on the influences of economic and political surroundings. The factors explained before can be the reasons for the researcher in doing the research because these factors completely influence to stock price.

In this case, internal problem was occurred by PT Bumi Resources Tbk because the company had issued a lot of stocks but still gained low net income. The researcher found that evidence from financial statement of PT Bumi Resources Tbk. It could be happened because the earning of net profit is been used to pay
the liabilities of the company every year. Therefore, the company only earned low
net profit in the end of year. Furthermore, the declining of stock price was
particularly happening in PT Bumi Resources Tbk because of China as the
biggest coal purchaser decreases the demand of coal in Indonesia. In order to
reduce the impact of deceleration economic growth and safe trading in surplus
condition.

According to the result of multiple regressions above, the coefficient of
determination \( R^2 \) of stock price is 0.636, which means 63.6% of the variability
stock price can be influenced by using variables researched of this research, such
as current ratio (CR), earnings per share (EPS), Debt to equity ratio (DER), and
price to earnings per share (P/E). The rest of 36.4% is explained by other
variables that are not involved in this regression model of this research. This
percentage of relationship between current ratio (CR), earnings per share (EPS),
debt to equity ratio (DER), price to earnings ratio (PER) to stock price, showed
that there is strongly enough relationship among variables. Therefore, regarding
this problem with afforded by these theories, researcher can do this research that
exactly useful for the investors and recognize what factors does influence of stock
price by using this financial ratio factors. The implication of variables of this
research is following below:

The P-value of F-Test is 0.000, which is greater than 0.05, it means that variable
current ratio (CR), earnings per share (EPS), debt to equity ratio (DER), price to
earnings ratio (PER) simultaneously influences to stock price. The change value
from these variables will change the value of stock price of PT Bumi Resources
Tbk. Thus, the researcher will illustrate each independent variable to dependent
variable, as how the result of this model regression.

According to the partial test (T-Test) of this regression model results, variable
current ratio (CR) significantly influence to stock price. The sign of positive (+)
from coefficient means there is positive relationship between both variables and
has sustainable relationship. If the current ratio (CR) increased, then the stock
price will increase continually. PT Bumi Resources has mean or average below
the expected by company in common, which is 0.9206, periods from 2000 until 2011, whereas the company should have ratio normally at least 1.5 until 2.5. It means the PT Bumi Resources Tbk is in not good liquidities position. Based on this research, the significant value α of T-Test result is 0.000, this becomes one reason why current ratio (CR) is the most influential factor of declining stock price in PT Bumi Resources Tbk. The result appropriates with Agnes Sawir (2001, p.8) opinion, which is low current ratio is usually considered as problems in liquidity of the company. The lower of current ratio indicates high liquidity risk, while a high ratio shows the excess of current assets that will affect profitability of the company. Based on this explanation, it indirectly can influence the stock price of PT Bumi Resources Tbk, through its current ratio (CR). Therefore, PT Bumi Resources Tbk which has low current ratio (CR) has to manage-well its liabilities. The company should survive and struggling to manage its liabilities well. As the investors, the investors can analyze stock price of PT Bumi Resources Tbk based measurement on current ratio (CR).

According to the T-Test results, variable earnings per share (EPS) significantly influence to stock price. The sign of positive (+) means there is positive relationship between both variables and has sustainable relationship. When earnings per share (EPS) of PT Bumi Resources Tbk increased, then the stock price will increase as well. The average of earnings per share (EPS) of PT Bumi Resources is 72.9679, periods from 2000 until 2011. It means the company earns 72.9679 for every one share. However, that will be the problem is the company which is the biggest coal reserves in Indonesia which has 30% of coal reserves in Indonesia\(^\text{17}\), it should have in a good stock price, but the company has not good performance in terms of stock price because the PT Bumi Resources has a lots of liabilities, then earned less net incomes eventually. Thus, the earnings per share (EPS) of PT Bumi Resources are small.

Basically, earnings per share (EPS) actually should be compared with the competitors or industry average for PT Bumi Resources Tbk, as the way to

\(^{17}\) Source from official website of PT Bumi Resources Tbk: [http://www.bumiresource.so.id](http://www.bumiresource.so.id)
recognize company’s performance better. The modest way of knowing the company position is by analyzing data of its earnings per share (EPS). Increasing in earnings per share (EPS) means profitability of the company is increasing and company is in a good performance, whereas declining or minus in earnings per share (EPS) means company in such a poor performance. In fact, PT Bumi Resources Tbk had ever minus in earnings per share (EPS) at the end of year 2000 until at the beginning of year 2001. This is actually when PT Bumi Resources Tbk was having the difficult condition. The significant of T-Test result is 0.001 makes earnings per share (EPS) influence of declining stock price in PT Bumi Resources Tbk in period 2000 - 2011. The investors can analyze stock price of PT Bumi Resources Tbk based measurement on earnings per shares (EPS).

According to result of this regression model, variable debt to equity ratio (DER) significantly influences to stock price. The sign of positive (+) from coefficient of variable debt to equity ratio (DER) means there is positive relationship between both variables and has sustainable relationship. Debt to equity ratio (DER) is used to know some parts of its equity that can be a warranty to all company’s liabilities or to measure the extent of liabilities that had been used by that company. If the debt to equity ratio (DER) increased, then the stock price will increase sustainably. PT Bumi Resources Tbk has average in common is 4.2096, periods from 2000 until 2011. In this case, Researcher is agree with Robert Ang (1997) cited by I Gede Ananditha Wicaksana (2012, p.34), the lower of debt to equity ratio (DER) the higher of the company’s ability in paying of all liabilities. The higher of debt to equity (DER) will influence to stock price of PT Bumi Resources Tbk and it can decrease the stock price that definitely reduces the profitability to investors. This analysis is agree with Agnes sawir (2001, p.11), stated that when the profitability is lower than debts, the leverage will reduce the profitability of its own equity. Therefore, the leverage can be used to improve return on shareholders, but the risk will keep increase and get losses during difficult periods.
However, For the investor information, according to Elio D’Amato (2010, p.10), if the debt to equity ratio (DER) could be positive if it is lower that prior year, could mean that previous investments are starting pay off, leading to higher retained earnings, and higher shareholder equity eventually, or it means the company is conducting capital intensive, by purposing such as purchasing assets and improving processes to increase net profits. However, the researcher concludes that based on this research the investors can analyze stock price of PT Bumi Resources Tbk based measurement on debt to equity ratio (DER).

The last variable, based on the partial test (T-Test) of this regression model results, stated that price to earnings ratio (P/E) has no significant influence to stock price. It means price to earnings ratio (P/E) is not related to stock price of this research, and it determines that the high or low price to earnings ratio (P/E) will not influence to high or low in stock price of this research. The price to earning ratio (P/E) describes a stock’s worth based on current or future profits. According to David Van Knapp (2008, p.162), stock purchased when price to earnings ratio (P/E) is low tend to outperform, and valuation ratios are “directionally helpful” when the lower the valuation ratio at time of purchase, the better performance will come up over the time.

It is measured by taking a company’s current share price and dividing this by earnings per share (EPS). So it should be there is influence between price to earnings ratio (P/E) and stock price. However, it is because of another reason that causes price to earnings ratio (P/E) is not significant, it could be economic and market uncertainty can weaken the relationship between a company's price to earnings ratio (P/E) and its stock price18. It will be happen when there are different opinions between financial analyst and corporate executives in parts of company’s profit performance; it blurs investor's expectations and can make price to earnings ratio (P/E) declined19. So the researcher can conclude that price to earnings ratio (P/E) can not be used to measure the stock price of PT Bumi Resources Tbk.

18 Source from wall street journal (2012), websites http://www.finance.zacks.com by Geri Terzo
19 Source from "The Wall Street Journal" (2010)
CHAPTER V

CONCLUSION AND RECOMMENDATION

5.1 Conclusion

Based on data analysis that had been described about the influence of fundamental analysis factors based measurement on current ratio (CR), earnings per share (EPS), debt to equity ratio (DER), and price to earnings ratio (P/E) towards stock price at PT Bumi Resources Tbk period 2000 – 2011, the researcher can conclude some points below:

1. The first one explained that variables of current ratio (CR), earnings per share (EPS), debt to equity ratio (DER), and price to earnings ratio (P/E) simultaneously have strongly significant influence \( \alpha (0.00 \leq 0.05) \) toward stock price of PT Bumi Resources Tbk period 2000–2011.

2. The second one expressed that variable of current ratio (CR) partially has significant influence to stock price of PT Bumi Resources Tbk period 2000 – 2011 and becomes the most influential factor to decline in stock price PT Bumi Resources Tbk since the company has not good current ratio or mostly below average in common.

3. The third one expressed that variable of earnings per share (EPS) partially has significant influence to stock price of PT Bumi Resources Tbk period 2000 – 2011. It could be happened because PT Bumi Resources Tbk earned much less profit rather than liabilities, so that it will be the major reason of investors before investing their money to the company in order to save from the amount of loss.
4. The fourth one determined that variable of debt to equity ratio (DER) partially has significant influence to stock price of PT Bumi Resources Tbk period 2000 – 2011. The company has the high number of debt to equity ratio (DER), which means company is in a greater risk condition. Then it will influence to stock price because the investor tends to reluctant investing their money in that condition.

5. The last hypothesis described that variable of price to earnings ratio (P/E) partially have no significant influence to stock price of PT Bumi Resources Tbk period 2000 – 2011. It could be happened because of some other factors that not involved in this research, such as uncertainty market and economic, economic policy and etc.

5.2 Recommendation

As the implication of this research, researcher has collected some recommendations as benefit research to some people need, such as below:

1. For the researchers are intended to add or substitute some other variables as the way to search for other fundamental analysis factors that influence to stock price of PT Bumi Resources Tbk which is beneficial to knowledge developmental.

2. For the company especially PT Bumi Resources Tbk, is intended to more concern about its current ratio (CR), earnings per share (EPS), and debt to equity ratio (DER) because these variables positively have significant influence to stock price of PT Bumi Resources Tbk. Moreover, raising the value of financial statements can increase performance of the company, which can influence to stock price also and eventually any changes of stock price can positively attract the investors to investing in PT Bumi Resources Tbk.

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3. For the investors are recommended to have more concern in variables of fundamental analysis factor that have significant influence to stock price of PT Bumi Resources Tbk, which means the investors needs to consider the company about in terms of fundamental analysis factors in doing investment to PT Bumi Resources Tbk. Besides, some other aspects that were not involved in this research can be used as indicator to know the influence stock price, such as included in technical analysis that essentially influence to stock price as well.