

Abstract

Merger and acquisition constitute important information for shareholders. A merger or acquisition announcement that is released by a company will influence the share price of acquiring company as well as that of the target company.

This research aims to test how shareholders react to merger and acquisition announcement. Their reaction was depending on the initial announcement. Shareholder reaction toward an announcement is measured by the abnormal return of the acquiring company. The sample used in this research consists of 23 companies from various industries sector that have undertaken merger and acquisition in the period 2004 to 2008.

Hypothesis used for abnormal return analysis is there any differences between 20 day pre announcement and 20 days post announcement. However, the method of abnormal returns analysis using an independent sample t-test. The result shows that the effect of significantly was low. The study indicates that 20 day pre announcement and 20 days post announcement too close and there is leakage information before merger and acquisition announcement.

Key word: abnormal return, merger, acquisition,