

## **ABSTRACT**

*The aim of this study is to analyze the effect of payment type that is used in merger and acquisition (cash or stock) toward abnormal return of bidder firm's stock. This study also can be used to see the reaction toward M&A announcement, which is published by a company in market. This study is done because there are still some differences in data between one researcher to the others.*

*Event Study is a technique that is used in analyzing reactions that caused by M&A announcement. The object of the study is abnormal return from bidder firm's stock. The writer uses market model in this study to get abnormal return data, with 100 days of estimates period and 11 days of window period. The writer uses statistical test to verify her hypothesis with Microsoft Office Excel 2007 and SPSS software (Statistical Program for Social Science).*

*The result of this study shows that the effect from M&A announcement, which paid by cash, is not capable yet to produce abnormal return. While M&A announcement, which paid by stock, can produce significant negative abnormal return when the announcement is being published. The result of two average difference test also shows that there is a different abnormal return between M&A that is paid using cash and M&A that is paid using stock. The abnormal return average that produced by cash payment gets higher positive response than that produced by stock.*

*Keywords: merger and acquisition, announcement effect, bidder firm, abnormal return, event study, market model.*