ABSTRACT

Initial Public Offering (IPO) is an activity company in order to public offer of primary share sale through primary market. This offering share in primary market could give some initial return for investor that indicated the happening of underpricing when coming to secondary market. Underpricing is a condition which shows that stocks price at primary market was lower than the stocks price at secondary market. This study aims to determine the factors that influence underpricing. Variables examined include underwriter reputation, auditor reputation, current ratio (CR), earning per share (EPS), return on equity (ROE), and firm size (Size).

This research used purposive sampling method, and there were 36 selected samples from 55 firms available in population. This research was carried out through the analysis of multiple linear regression with a 5% significance level.

The parsial regression analysis concluded that underwriter reputation succeed to show a negative significant effect to underpricing, auditor reputation succeed to show a negative significant effect to underpricing, return on equity (ROE) succeed to show a negative significant effect to underpricing, and firm size (size) succeed to show a negative significant effect to underpricing, but current ratio (CR) failed to show a significant and positive effect to underpricing, and earning per share (EPS) failed to show a significant and positive effect to underpricing. While, by simultan obtained the result of underwriter reputation, auditor reputation, current ratio (CR), earning per share (EPS), return on equity (ROE), and firm size (Size) have a significant effect to underpricing.

Keywords : Initial Public Offering (IPO), underpricing, initial return (IR), underwriter reputation, auditor reputation, current ratio (CR), earning per share (EPS), return on equity (ROE), and firm size (Size).