

ABSTRACT

One of the fundamental analysis that usually used by investors and security analyze to value the stock price is by price earnings ratio (PER) approach. This analysis is based on the confident of the stock value and very affect by company performance, which can show by financial ratio of the company. Price earnings ratio shows how much investors are willing to pay per rupiah of the reported profit. A high price earnings ratio shows that investors think that the firm has good growth opportunities. So, factors determining of price earnings ratio become very important and very interesting to learn and have important means to investors in making investment decision.

The current research is aimed at analyzing financial ratios influencing price earnings ratio of manufacturing companies listed in the Indonesia Stock Exchanges. Those financial ratios could be liquidity ratio (current ratio), solvability ratio (debt to equity ratio), activity ratio (inventory turnover), profitability ratio (return on equity and net profit margin), and owner ratio (dividend payout ratio). The type of data used secondary data that obtained from ICMD 2008 and 2010 then collected by documentation. Sample used in this research consisted on 6 companies. Thus, the technique of analysis that is used in this research are multiple regression. F-test and t-test was employed to test the hypothesis with 5% level significant.

The result of investigation showed that debt to equity ratio, inventory turnover and return on equity influences significantly on PER. Current ratio, net profit margin, and dividend payout ratio didn't affect significantly the PER. Simultaneously all independent variables influences significantly on PER. Whereas, determinant coefficient which is achieved is 0,275, which means that the prediction power of regression model is 27,5%.