

ABSTRACT

Stock valuation model using price earning ratio approach (PER approach) has become popular among investors and analysts in capital market. PER approach is one of the fundamental analysis in valuing the stock price. This approach based on the trust that the stock value strongly affected by the company performance, which shown in financial statement issued by the company periodically. Price earning ratio shows how much investors are willing to pay per rupiah of reported profits. The high PER indicates that investors think that the company has good growth opportunities in the future. Therefore, factors determining of PER become very important and interesting to research and have important meaning for investors in making investment decision.

There are three objectives of this research: (1) To analyze the influence of Return On Equity (ROE), Leverage Ratio (LR), Earning Growth (EG), Risk Of Earning Growth (ROEG), Dividend Payout Ratio (DPR), and Firm Size (FS) on PER; (2) To know the greatest effect on PER among independent variables; and (3) To analyze the fairness of the stock price of manufacturing companies stocks listed in Jakarta Stock Exchange of period 2002 until 2006. There are 21 companies taken as research sample with pooling data from 2002 to 2006. Multiple linear regression analysis is used to test the effect of independent variables on dependent variable. T test and F test (ANOVA test) are employed to test a five-hypothesis with 5 per cent level of significance.

The result of this research indicates that in partial, variable DPR, LR, and ROE have significant influence on PER, while variable FS, EG, and ROEG do not have significant influence on PER. Simultaneously all independent variables have significant influence on PER. Other finding of this research shows that variable DPR has the greatest effect on PER. From this research is also known that the price of manufacturing companies stocks listed in Jakarta Stock Exchange of period 2002 until 2006 is an underpriced category.

Key words : PER, stock price, manufacturing, underpriced