VALUE RELEVANCE OF EARNINGS PER SHARE AND BOOK VALUE OF EQUITY AMONG AUTOMOTIVE SUBSECTOR COMPANIES IN INDONESIA STOCK EXCHANGE (IDX)

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ABSTRACT

This study aims to analyze the influence of value relevance of earnings per share and book value of equity to the stock price of Sub Sector Automotive & Components companies listed on the Indonesia Stock Exchange. The population in this study is Sub Sector Automotive & Components go public companies listed in IDX as many as 12 companies. The sampling was done through purposive sampling method based on several considerations or criteria. The criteria are the companies must be Sub Sector Automotive & Components companies that have gone public and listed in IDX from 2011 until 2013. The data in this study was analyzed using multiple regression. The results showed that earnings per share is relevant to measure firm value. The book value of equity is relevant to measure firm value. Based on these results, investor needs to consider the value of earnings per share and book value of equity in making any investment decision because it is important to assess the potential revenue to be accepted.

Keywords: Value Relevance of Accounting Information, Earnings Per Share, and Book Value of Equity

INTRODUCTION

Accounting information becomes value relevance when it can measure the market values of a company. Summarizing of accounting information, such as earnings per share, book value per share, etc, can help investors to measure the firm value. A wide alternative of investment opportunities in Indonesia provide several choices for an investor who has excess funds to be invested. One of the investments that can be used by investors other than bank deposit or saving accounts and investments on other tangibles such as gold or land is the investment in stock market. The stock market is market among between the parties who have surplus funds and those who need the funds by securities trading. Capital markets can also be interpreted as a market for securities trading.
if it has a lifespan which is more than one year like stocks and bonds by
(Tandelilin, 2008: 13).

The movement of stock prices on the stock exchange is a phenomenon that
is very attractive for investors to conduct an analysis since the movement of the
stock price of the company can be predicted in the future. Share prices in the stock
market commonly go up and down. The movement of stock prices that occur may
still be may be volatile as seen from the movement of stock prices which is
represented by the stock price index (IHSG). Samuel Securities assess IHSG
coupled with a 0.9% increase in its volume which indicates a decrease on the
purchase accumulation. Observing the movement of the index in regional
exchanges, it may still be in the range of 2,440-2,500. Both the regional or global
markets experienced a decline in share prices on the Stock Exchange. It means
investing in the stock market is affected by the movement of the stock price.
Among the securities traded in the stock market, stock is the most popular item
for the market. Recently, printed and electronic media regularly review this
phenomenon starting from the price movement until the outstanding issues. The
movement of stock prices over time will be reflected through share price index
which is a summary of the simultaneous and complex effects of the various
factors that influence the stock price when the current share price index is used as
the indicator of a nation’s economy welfare and as the foundation of statistical
analysis on recent market conditions (Aronaga, 2001).

The interest of an investor on the stock investment is influenced by the
quality of the shares value in the capital market. According to Djazuli (2006: 51),
the intensity of the shares reflected in the performance of a company is indicated
in the financial performance of the company. For companies that want to continue
to expand its business, it should ensure its ability to increase its capital by issuing
shares in the capital market. Due to the rapid development of capital markets in
Indonesia recently, it requires a support in the form of quick and continuous
information. One of the information is related to the financial condition. The
financial statements must be able to describe the financial position and operating
results of the company in a reasonable way.
Globalization makes the world of business needs fast and accurate information that is useful as the basis for decision making. To obtain useful information, accounting plays an important role in providing the necessary information. Such information may be available in the published financial statements of the company. As stated in the conceptual framework of Generally Accepted Accounting Principles (GAAP), the objective of financial statements is to provide useful information for business decisions. Useful information is information that has relevance where such information has the potential to influence decision-making. Value relevance of accounting information is based on its ability to explain the company's market value. Barth, et al. (2012) defined value relevance of accounting information as the relationship between accounting numbers with the stock price.

Pinasti (2004) defines value relevance as accounting information ability to explain (explanatory power) the stock prices or stock returns. Research on the benefits of value relevance is designed to assign values to the company's equity accounting assessment. The concept of value relevance cannot be separated from the relevant criteria of financial accounting standards due to a number of accounting numbers. It will be irrelevant if the amounts that are shown do not reflect the information relevant to the assessment of a company. Testing the relationship between accounting information and value stocks requires an assessment model.

The movement of stock prices cannot be separated from the role of supply and demand on the stock. Shamsuddin (2009) explains that any reasonable stock price will foster a belief in investors to invest whether in the form of buying or selling shares. As there are more people who buy the stock, the stock price will tend to rise; meanwhile, as greater people sell the stock, the price will tend to decrease. Stock price fluctuations which occur due to momentary assessment by the seller and the buyer are influenced by many factors. The factors that can affect stock price among the others are book value of equity per share (BVPS), and earnings per share (EPS).
Book value of equity shows the net assets owned by shareholders for having one share (Jogiyananto, 2009). The influence of book value of equity on stock price can be seen from the theory which explains that book value of equity is used by investors to compare the market value of equity of the company; thus, so that investors can assess whether the stock price is too high or too low. If the book value of equity is higher than the company's market value, then the value of the company will rise, and the trading volume will increase; next, it will raise the value of the stock price, and vice versa.

The main investment objective of the investors is to receive dividends and capital gains. Before deciding to invest in a company, investors need information related to the condition of the company. According to Husnan (2009: 328), the level of profitability generated by the issuer will be able to influence the level of stock prices. The company's ability to generate earnings per share in a period can be seen in the ratio of Earnings per Share (EPS).

This study aims to examine the value relevance of earnings per share and book value of equity in public companies in Indonesia. While the difference of this study compared to previous studies is on the object of this research which observes company in Sub Automotive & Parts sector. The reason of the researcher in choosing Sub Automotive & Parts companies as the research object is due to the increasing competition in the automotive industry that will inevitably lead to the company to make appropriate measures to compete and remain competitive.

LITERATURE REVIEW AND HYPOTHESIS

Value Relevance

Value relevance is defined as a condition in which the accounting number or information from financial report can measure the value of a company. Some researchers have conducted studies on value relevance by using accounting variables in the financial information to see if those accounting variables are relevant in determining the company value. Then, it appears as the general formula to define the relevancies of accounting variable (Beisland, 2009):
The formula explains that the amount of accounting information such as book value or earnings per share is equal to the market value of equity such as stock price or return that can determine the value relevance. It becomes the main question in value relevance research, to know the significance relation between accounting information with market value of equity (Beisland, 2009). In answering this question, usually a researcher use regression analysis model in order to test the relation between accounting information and market value equity. Since a number of accounting research is developed from basic valuation model, the researcher prefers to choose value relevance valuation model from clean surplus theory which stated that firm value is reflected from accounting information in the financial report. This statement is supported by Feltham and Ohlson (1995) with their founding Ohlson clean surplus theory or residual income model. Their clean surplus theory model expresses firm value in terms of current and predicting accounting numbers. Clean surplus theory shows that the market value of the firm can equally be expressed by seeing the relation between earnings and equity. This relation is called as clean surplus relation which means that any changes in equity transaction beside dividend payment and equity investment is affected by earnings of the firm itself. Thus, this theory is preferred to choose because not only earnings can measure stock price, but also equity can define stock price too by seeing the relation between earnings and equity. This theory also provides measurement approach by showing that market value of the firm can be expressed by financial component such as balance sheet and income statement. Finally, this theory is successful in explaining and predicting actual value of the firm. The formula of residual income model is as follows:

\[ P_t = \alpha + \beta_1 \text{EPS}_t + \beta_2 \text{BV}_t + e_t \]

In the model above, \( P_t \) represents market stock price of the company in the time of period. \( \text{EPS} \) becomes as earnings per share of the firm. This information comes from income statement of the firm which contains surprise information and stale or anticipated component. \( \text{BV} \) symbolizes book value of the firm. This information comes from financial position statement which reflects present value
of normal earnings. \( \alpha \) is constant and \( \beta \) coefficient of variable (Watts & Zimmerman, 1986).

The previous research shows that the used of value relevance is one way to measure firm value. One of the models used in value relevance research is clean surplus theory or residual income model developed by Ohlson. Residual income model is used in this research to analyze the relevance of book value and earnings towards stock price of the firm. Since this model categorizes earnings and book value as value relevance, the researcher hopes that the model can give better result which can show the relation earnings per share and book value of equitytowards stock price. Asupport on clean surplus theory comes from Bernard (1995).He argues that the choice of accounting method does not affect the model’s implementation. So it is not necessary to define accounting method of sample in this research. Meanwhile, price is used in this model because it reflects richer information set than the transaction-based, historical-cost earnings. And, current price contains information in the surprise as well as the anticipated components of the performance measuring earnings (Kothari & Zimmerman, 1995).

**Earnings Per Share**

Earnings per share (EPS) is an analytical tool that uses the level of profitability of the company, the concept of conventional profit. Earnings per share is one of the considerations of investment. Changes in the use of debt will lead to changes in earnings per share and the risk (Brigham and Houston, 2006). Earnings Per Share is an important indicator of the ratio of the company. Earnings per share is the amount of dollars we earn on each share of stock we have. Earnings per share value is obtained by dividing the net profit after tax by the number of outstanding common shares. High earnings per share meansthat the company performs well, and it is certainly going to attract the interest of shareholders and prospective shareholders. However, not all the profit in the company's operations will be distributed to the shareholders, as this will be decided based on the results of the general meeting of shareholders on dividend distribution policy. Earnings per share or earnings per share will be higher with
the higher level of debt, but the risk is also higher when the debt will be used to replace equity (Brigham and Houston, 2006).

Management company on ordinary shareholders and prospective shareholders are keen to earnings per share because it describes what to be received for each share. It is an indicator of the success of a company. The formula is as follows (Brigham and Houston, 2006):

\[
EPS = \frac{\text{Net Income} - \text{Preferred Dividend}}{\text{Weighted Average Common Outstanding Shares}}
\]

Earnings per share is the profit earned by the company per share. Earnings per share is a measure that is useful to compare the earnings of a variety of different business entities and to compare the profits of an entity from time to time if there is a change in the capital structure. Earnings per share has been calculated long ago and used by financial analysts. The calculation of earnings per share that leads to future tries to provide information regarding earnings per share that may be acquired in the future. The increase in earnings per share shows that the performance of the company's earnings is so well that it can increase the income of the shareholders (investors). If the corporate earnings per share is high, the more investors are willing to buy the stock, causing the stock price will be high (Dharmastuti, 2004)

Earnings per share is a measure for both management and shareholders. Projections for the future are often made based on last year. Fluctuations and trends in the actual achievement in comparison with the projections are closely monitored to see indications of strengths and weaknesses. Earnings per share growth provides information about the development of an enterprise.

**Book Value of Equity**

Book value is the accounting value of the company’s stock based issuers. Burgstahler and Dichev (1997) stated that the value of the book that is derived from the balance sheet only provides information about the net value of the company's resources to provide a measure of the value that reflects the results of
the company’s resources usage. Therefore, the book value is relevant if the activity of the company that produces gains and profits has more important information used as the determinant of the equity value.

The information listed in the capital of a company's balance sheet is required by investors or potential investors and management as a material to be analyzed. One of the gauges that are very important in the analysis of financial statements is "book value per share" (Jusup, 2001).

\[
BV = \frac{\text{Total Equity}}{\text{Number of Shares Outstanding}}
\]

**Stock Prices**

Shares are securities that demonstrate the ownership of the company so that the shareholders have the right to claim for dividends or other distributions, including the right to claim the assets of the company after the priority rights of holders of securities are met in the event of liquidity. Husnan (2002: 303) stated that: Securities (stock) is a piece of paper that shows the rights of investors (i.e. those who have the paper) to acquire part of the wealth of prospects or organization that issued the securities.

The success in generating profits will provide satisfaction for rational investors. The stock price is high enough to provide benefits, in the form of capital gains and a better image, so the company’s management obtains funding from the outside easier.

**Value Relevance of Earnings Per Share and Book Value of Equity**

Value relevance research that has been conducted not only use statement of financial positions, statement of income, and statement of cash flow to test relevancies of accounting information for investors to measure stock prices of the firm. Based on the previous research, the researcher is interested in testing the issue in Indonesia because some research in the country is conducted to know if public companies have complied the regulation issued by Stock Exchange Authority. The objective of this study is to investigate if earnings per share and
book value of equity relevance as accounting information. Value relevance is defined as accounting information which is useful for decision making. Then, the researcher formulates the hypothesis as follow:

\( H_1 \): There is a positive influence of earnings per share to the stock price.

\( H_2 \): There is a positive influence of book value of equity to the stock price.

**RESEARCH METHOD**

**Population and Sampling Procedures**

The research timeline is over the period of year 2011-2013. The researcher wants to see such phenomenon in three years from 2011 up to 2013. This research was not conducted on the population but only on one part of the population. The sampling technique was random sampling method to obtain a sample which was consistent with the objectives of the study. Purposive sampling method is a sampling method based on several considerations or specific criteria. The criteria were that the sample must be automotive subsector and component companies in Indonesian Stock Exchange (IDX) that have gone public. As stated in the title, the population of the research is Indonesian public companies listed in Indonesia Stock Exchange (IDX) from 2011 up to 2013, with the total twelve subsector companies of automotive and used quarterly data. Which the total of data those companies is 108.

<table>
<thead>
<tr>
<th>No</th>
<th>Code</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>ASII</td>
<td>Astra International Tbk</td>
</tr>
<tr>
<td>2</td>
<td>AUTO</td>
<td>Astra OtopartsTbk</td>
</tr>
<tr>
<td>3</td>
<td>BRAM</td>
<td>Indo KordsaTbk</td>
</tr>
<tr>
<td>4</td>
<td>GDYR</td>
<td>Goodyear Indonesia Tbk</td>
</tr>
<tr>
<td>5</td>
<td>GJTL</td>
<td>Gajah Tunggal Tbk</td>
</tr>
<tr>
<td>6</td>
<td>IMAS</td>
<td>IndomobilSukses Internasional Tbk</td>
</tr>
<tr>
<td>7</td>
<td>INDS</td>
<td>IndospringTbk</td>
</tr>
<tr>
<td>8</td>
<td>LPIN</td>
<td>Multi Prima Sejahtera Tbk</td>
</tr>
<tr>
<td>9</td>
<td>MASA</td>
<td>Multi stradaArahSaranaTbk</td>
</tr>
</tbody>
</table>
Source and Type of Research Data

The type of this research is quantitative research that used secondary data which collected from Indonesian Stock Exchange (IDX) database at Pojok Bursa Efek Indonesia (BEI) in University of Brawijaya and IDX website (www.idx.co.id). The research design used in this research is the causal design, which is useful to measure the relation between variables or analyze the way one variable affects the other variables. This research also categorized as archival study because source of data which used is secondary data. Secondary data used is annual report of the company. In accordance with the subject matter and the purpose, this study uses level of explanation pattern intended to describe the pattern of relationship or the relationship influence between two or more variables. This research used financial report as tool for conduct a research which published from 2011 up to 2013.

Measurement of Research Variable

The independent variable of this research is earnings per share and book value per share. The use of earnings, as stated before by Kothari & Zimmerman (1995), is driven by its coverage on information about expected future cash flow, surprise, and stale component, which is similar to price. Meanwhile book value per share is used because it contains reflection of earnings. The dependent variable of this research is the stock price.

Test of Hypothesis

To test the hypothesis, the researcher uses multiple linear regression model as stated in residual income model by Feltham and Ohlson (1995: Scott 5th). Then, the researcher develops the multiple linear regression from residual income model as follows:

$$P_i = \alpha + \beta_1 \text{EPS}_i + \beta_2 \text{BV}_i + \epsilon$$
Description:
P_t = Stock Price
\alpha = Constanta
\beta = Regression Coefficient
EPS_t = Earnings per Share (EPS)
BV_t = Book value per Share (BV)
e = Error term

RESULT ANALYSIS

Descriptive Statistic

Descriptive statistics is a general description of the data associated with the research and collecting and summarizing data from the study variables. Descriptive statistics also tries to explain or describe the various characteristics of the data, such as the average value, maximum value, minimum value, and standard deviation. The descriptive statistics of this study is collecting and summarizing data from independent and dependent variables, namely earnings per share, book value of equity per share, and stock prices are presented in Table 4.1 below:

Table 4.1 Descriptive Statistics

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings Per Share</td>
<td>108</td>
<td>0.00</td>
<td>329165250,80</td>
<td>3048151,9</td>
<td>31673909,4</td>
</tr>
<tr>
<td>Book Value of Equity</td>
<td>108</td>
<td>0.00</td>
<td>3500107542,00</td>
<td>32411130,7</td>
<td>336797740,3</td>
</tr>
<tr>
<td>Stock Price</td>
<td>108</td>
<td>78</td>
<td>22800</td>
<td>3727,26</td>
<td>3925,13</td>
</tr>
<tr>
<td>Ln Earning Per Share</td>
<td>108</td>
<td>-9,525</td>
<td>19,612</td>
<td>7,772</td>
<td>4,587</td>
</tr>
<tr>
<td>Ln Book Value of Equity</td>
<td>108</td>
<td>-8,112</td>
<td>21,976</td>
<td>6,756</td>
<td>5,224</td>
</tr>
<tr>
<td>Ln Stock Price</td>
<td>108</td>
<td>0,139</td>
<td>6,429</td>
<td>2,362</td>
<td>1,846</td>
</tr>
</tbody>
</table>

Where,

LnEPS : Earnings per share transformed into Logarithm natural (Ln)

LnBVS : Book value per share transformed into Logarithm natural (Ln)

LnStock Price : Stock Price transformed into Logarithm natural (Ln)

Based on Table 4.1, earnings per share profit is obtained by the company’s earnings per share. The increase in earnings per share shows that the performance
of the company's profit is very good, so it can increase the income of the shareholders. If the company’s earnings per share is higher, more investors are willing to buy the shares, causing the stock price to rise. Based on the above table, the mean earnings per share is amounted to 7.772. This shows that companies are able to generate a profit from sample earnings per share (EPS) of 7.772 of net income produced by the company in a period divided by the number of ordinary shares outstanding during the period.

Book value of equity per share indicates the net assets held by the shareholders from their share. Based on table above, the mean value of the equity is 6.756. This shows that companies are able to produce samples of net assets amounted to 6.756 on the owned shares.

The share price is the price at an appropriate time determined by market participants and by the demand and supply of the relevant shares produced in the capital market. Based on the above table, the mean value of the share price is of 2.362. This shows that, during the period of observation, the share price sampled in this study increased.

Based on Table 4.1, the average earnings per share, book value of equity, and the stock price is higher than the value of the standard deviation. This condition indicates that the research data tend to approach the normal distribution. The normal data distribution indicates that it worth analysis based on the parametric statistics. That is, earnings per share, book value of equity, and stock price deserve testing.

Statistics Result

Multiple regression analysis is used to see whether of the variable of earnings per share and book value of equity affect the stock prices. The multiple linear regression analysis was calculated using Statistical Package for Social Science (SPSS) 17.0 for Windows, shown in Table 4.2 below:
Table 4.2 Multiple Regression Result

<table>
<thead>
<tr>
<th>Variable</th>
<th>Unstandardized Coefficients</th>
<th>T</th>
<th>sig.</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>2.986</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EPS</td>
<td>0.142</td>
<td>2.373</td>
<td>0.019</td>
<td>Significant</td>
</tr>
<tr>
<td>BVS</td>
<td>-0.214</td>
<td>-4.075</td>
<td>0.000</td>
<td>Not Significant</td>
</tr>
</tbody>
</table>

R : 0.388
Adj. R Square : 0.135
F-value : 9.325
Sig. F : 0.000

See Appendix C
Where,
EPS : Earnings per share
BVS : Book value of equity

Another regression models of these tests are as follows:

\[
Y = 2.986 + 0.142 X_1 - 0.214 X_2
\]

Alpha coefficients in the regression model showed that stock prices are influenced by factors other than earnings per share and book value of equity. The alpha coefficient was 2.986 with a positive direction. This shows that other factors play a role affect of stock price is 2.986.

The magnitude of coefficient earnings per share score is 0.142 and has a positive coefficient. This has meaning that increase in company earnings per share shows performance of the company is excellent. Performance of the higher corporate profits resulting higher stock prices with an increase of 14.2%.

The coefficient of the book value of equity score is -0.214 and has a negative coefficient. This has the meaning that the increase in net assets held by the shareholders it causes a decrease in the value of the stock price decreased is 21.4%.
Based on Table 4.2 explained that F test used in this study to test the accuracy or significance of research models. Based on the results obtained F value of 9.325 with a significance value of 0.000 is smaller than statistically significant at $\alpha = 5\%$. This has the meaning that the earnings per share and book value of equity worth to explain the stock price.

The value of multiple correlation coefficient (R) is 0.388, this shows that the magnitude of the relationship between earnings per share and book value of equity at a share price of 38.8%. Predictive power of the regression model (adjusted R-square) formed in this test of 0.135. These results indicate that the earnings per share and book value of equity has contributed to the share price of 13.5%, while the remaining 86.5% is influenced by other variables outside the model.

**Classical Assumption Test**

The curves presented in the appendix of this study indicate that the stock price, earnings per share (EPS), and book value per share (BVS). It can be seen from the points spread closer to the normal line.

Pattern of normal PP plot graph in appendix of the study illustrate that the presence of heteroscedasticity by way of viewing points of the graph is scattered above and below the 0 line Y. It shows that the differences in the regression model vary. This means that the regression model is free of homoscedasticity because there are points on the graph below scattered above and below the 0 line Y.

Multicollinearity testing assumption test aims to determine whether the variable of earnings per share and book value of equity have a function in influencing the value of the company. The multicollinearity testing in this study uses the value of variant inflation factor (VIF) obtained from the hypothesis testing. If the value of VIF is greater than 10, it means that problems associated...
with multicollinearity exist (Gujarati, 2000). Therefore, a regression model is free from multicollinearity if the VIF values generated under the assumption of multicollinearity is smaller than 10. The test results are presented in Table 4.3 below:

Table 4.3 Multicollinearity Test

<table>
<thead>
<tr>
<th>Variable</th>
<th>VIF</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earning per share (EPS)</td>
<td>2.719</td>
<td>Non multicollinearity</td>
</tr>
<tr>
<td>Book value of equity (BVS)</td>
<td>2.719</td>
<td>Non multicollinearity</td>
</tr>
</tbody>
</table>

Based on the table above, the variant inflation factor (VIF) of variable earnings per share and book value of equity is below the criteria of multicollinearity problem, which is 10. Thus, the data may provide different information for each independent variable. This means that earnings per share and book value of equity do not indicate the existence of a perfect or definite linear relationship among some / all of the variables explaining the regression model.

Autocorrelation test can be seen from the results of the Durbin-Watson test. Table 4.5 shows that the value of the Durbin-Watson is 1.946 which means that the regression model is good. Thus, autocorrelation between 'errors' in the period with the confounding in previous period (t-1) doesn’t appear in this regression model.

Table 4.5 Autocorrelation Test

<table>
<thead>
<tr>
<th>Explanation</th>
<th>Value of Durbin Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>DW Statistic</td>
<td>0.595*</td>
</tr>
<tr>
<td>DW Upper (table)</td>
<td>1.7231**</td>
</tr>
<tr>
<td>4 – DW Upper (table)</td>
<td>2.2769</td>
</tr>
<tr>
<td>DW Lower (table)</td>
<td>1.6470**</td>
</tr>
</tbody>
</table>

The autocorrelation test results are presented with the assumption of the table above. It is concluded that the regression model in this study contains no autocorrelation because it meets the criteria of DW statistic < 4 – DW_upper where 0.595 < 2.2769. Thus, the regression model to be used to test the research
hypothesis is accurate or authentic. This means that the magnitude of error or the disturbance in this regression models are not mutually correlated.

Linearity test is used to know whether the model has the quality of linearity or not. It can be checked through *scatter plot* between the residual standard and the prediction. A model can be said satisfying linearity assumption if the data does not show specific patterns, like parabolic, cubic, etc. The assumption of linearity test results is presented in Table 4.6 below:

<table>
<thead>
<tr>
<th>No</th>
<th>Variable</th>
<th>Sig</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The effect on earnings per share through stock price.</td>
<td>0.005</td>
<td>Linear</td>
</tr>
<tr>
<td>2</td>
<td>The effect on book value of equity through stock price</td>
<td>0.000</td>
<td>Linear</td>
</tr>
</tbody>
</table>

**Result Discussion**

This hypothesis result is used to test the effect of value relevance of earnings per share and book value of equity among company's stock price Sub Sector Automotive & Components listed on the Indonesia Stock Exchange (IDX). To see whether there is any effect of value relevance of earnings per share and book value of equity among company's stock price used t tests resulting from the multiple regression model.

The magnitude of the *t*-value for variable earnings per share is 2.373 with a significance level at 0.019 is smaller than statistically significant at $\alpha = 5\%$, so $H_a$ is accepted, which means earnings per share has positive influence and significant impact on stock prices. The meaning shows that higher value means is better than earnings per share because it will increase of stock price and this will give company benefit.

The value of *t*-value for variable book value of equity is -4.075 with the significance of 0.000, which is smaller than statistical significance of $\alpha = 5\%$. Therefore, $H_0$ is rejected, which means that book value of equity not significantly and negatively affects to stock prices.
CONCLUSION

This research is aimed to determine value relevance of earnings per share and book value of equity among automotive subsector companies in Indonesia Stock Exchange (IDX) 2011-2013. The variables used in this research are the Earnings Per Share (EPS), Book Value of Equity (BV), and Stock Price. The data are collected through non-participant observation method and literature review method. Research timeline of this research is period of year 2011 up to 2013. The observation objects are 12 automotive companies and uses quarterly financial statements. This research uses linear regression for the data analysis. Based on the test result, it is found that, from 108 observation data. In addition, earnings per share has positive influence and earnings per share is relevant to measure firm value. The higher value of earnings per share means better stock price because this condition will increase the stock price and bring profit for company. Book value of equity per share has negative influence and not significant effect on stock prices. The highest value of book value equity reflects the fact that the company's stock price is considered too high, so it is not comparable to the book value of the company.

Research Limitations

This research has several limitations which become obstacle to get better result. The first limitation of this research is the data used only in three periods (2011-2013) and the generated quarterly data made the conclusions cannot be generalized for other years. In order to get better result in testing the hypothesis, the period of time in conducting research has to be increased. This research has used all industries sectors as sample, but stills it not yet represents all public companies in Indonesia because some of data sample are eliminate because has expensive stock price, one millions rupiah, so it will disturb and affect another variable.

Suggestion for Future Research
As stated in the research limitations, there are several suggestions for future research if conducting same theme of research. First is increasing the length of time period in conducting research. By then it will make the result better and have strong impact. In making an investment decision, investors need to consider the value of earnings per share and book value of equity per share. It is important to assess the potential revenue. Another suggestion for future research is increased another independent variable which can affect stock price such as information segment, statement of cash flow, and another ratio such as debt to equity. The increased independent variable aims to get more variance of conducting this research.

References


