Abstract

Value Relevant Accounting Information To Predict Stock Price After Indonesia Economic Crisis

Budi Hartono

The capital markets research topics of current interest to researchers include tests of market efficiency with respect to accounting information, fundamental analysis, and value relevance of financial reporting. Evidence from research on these topics is likely to be helpful in capital market investment decisions, accounting standard setting, and corporate financial disclosure decisions. Generally, stock prices reflect future expectations of earnings, whereas accounting data reflect past performance. This paper attempts to discover the relationship between accounting data and market price of the companies listed on Jakarta Stock Exchange (JSE). The Jakarta Stock Exchange was influenced significantly by Indonesia economic crisis and provides an opportunity to make a comparison between a newly established market and the findings of studies of established markets. This paper investigates, whether there is a statistically significant permanent relationship between stock price and accounting data on this market. The study was conducted using accounting earnings, abnormal earnings and stock prices by ohlson (1995) model with data during the period of 1997-2003.

I find that the value relevance of financial statements increases continually on period 1997-2003 which I attribute to financial statements capturing the increasing intensity of assets in place relative to future investment options as firms. I also observe that the value relevance of financial statement information influenced by negative earning and fundamental economic, like GDP growth, inflation and free interest rate I have evidence that firms has intangible asset more relevant to predict stock price than firms has tangible asset and accounting earning more relevant than abnormal earning to predict stock price and cash dividend.