

## PREFACE

By the grace and blessing of the Almighty God, the writer has completed the final paper entitled: **“THE EFFECT OF RETURN ON EQUITY, EARNING PER SHARE AND PRICE EARNING RATIO TO THE STOCK PRICES OF MANUFACTURING COMPANIES LISTED IN INDONESIA STOCK EXCHANGE”**.

This final paper is written as a partial fulfillment of the academic requirements to obtain the degree of *Sarjana Akuntansi* at Accounting Study Program, Faculty of Economics and Business Universitas Pelita Harapan Medan Campus.

The writer would like to express his/her sincere gratitude to the following people for their valuable contributions in assisting and supporting the writer from the beginning until the completion of this final paper:

1. Dr. (Hon). Jonathan L. Parapak, M. Eng. Sc., as the Rector of Universitas Pelita Harapan
2. Mr. Arifin, SE, MM, MBA, CBV, CMA, CSMA as the Associate Dean of Faculty of Economics and Business UPH Medan Campus
3. Ms. Yenni Martok, BA (Hons.), SE, MM, MBA as the Department Chair of Accounting Study Program UPH Medan Campus
4. Mr. Ciptawan Cen, BA (Hons.), MBA, MH as the Research Proposal Advisor who has guided and given valuable instructions and guidance for the completion of this research proposal

5. All UPH Medan Campus lecturers who have transferred knowledge from the first till the last semester during the entire study period at UPH Medan Campus
6. All UPH Medan Campus administrative staff who have assisted in the writing of this final paper
7. My beloved parents who have help and encourage during the entire study at UPH Medan Campus
8. My beloved friends EDAMAME group who have motivated in writing this research proposal
9. Everyone who has provided suggestions, critics, encouragement, and motivation in order to finish this final paper

Finally, the writer acknowledges that there may still be inaccuracies and errors in this final paper. Therefore, constructive comments as well as inputs from the readers aimed at the improvement of this final paper content are welcomed and highly appreciated.

Medan, May 25, 2021

The Writer,



**Cindy Fransisca**

03012170083

## TABLE OF CONTENT

	PAGE
DECLARATION OF AUTHENTICITY OF FINAL PAPER AND UPLOAD AGREEMENT .....	ii
APPROVAL PAGE BY FINAL PAPER ADVISOR.....	iv
APPROVAL PAGE BY FINAL PAPER DEFENSE COMMITTEE.....	v
ABSTRACT .....	vi
<i>ABSTRAK</i> .....	vii
PREFACE .....	viii
TABLE OF CONTENTS.....	x
LIST OF FIGURES .....	xiv
LIST OF TABLES .....	xv
LIST OF APPENDICES .....	xvi
<b>CHAPTER I INTRODUCTION.....</b>	<b>1</b>
1.1. Background of Study .....	1
1.2 Problem Limitation.....	5
1.3 Problem Formulation.....	6
1.4 Objective of the Research.....	6
1.5 Benefit of Research .....	7
1.5.1 Theoretical Benefit .....	7
1.5.2 Practical Benefit.....	8
<b>CHAPTER II.....</b>	<b>9</b>
<b>LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT.....</b>	<b>9</b>

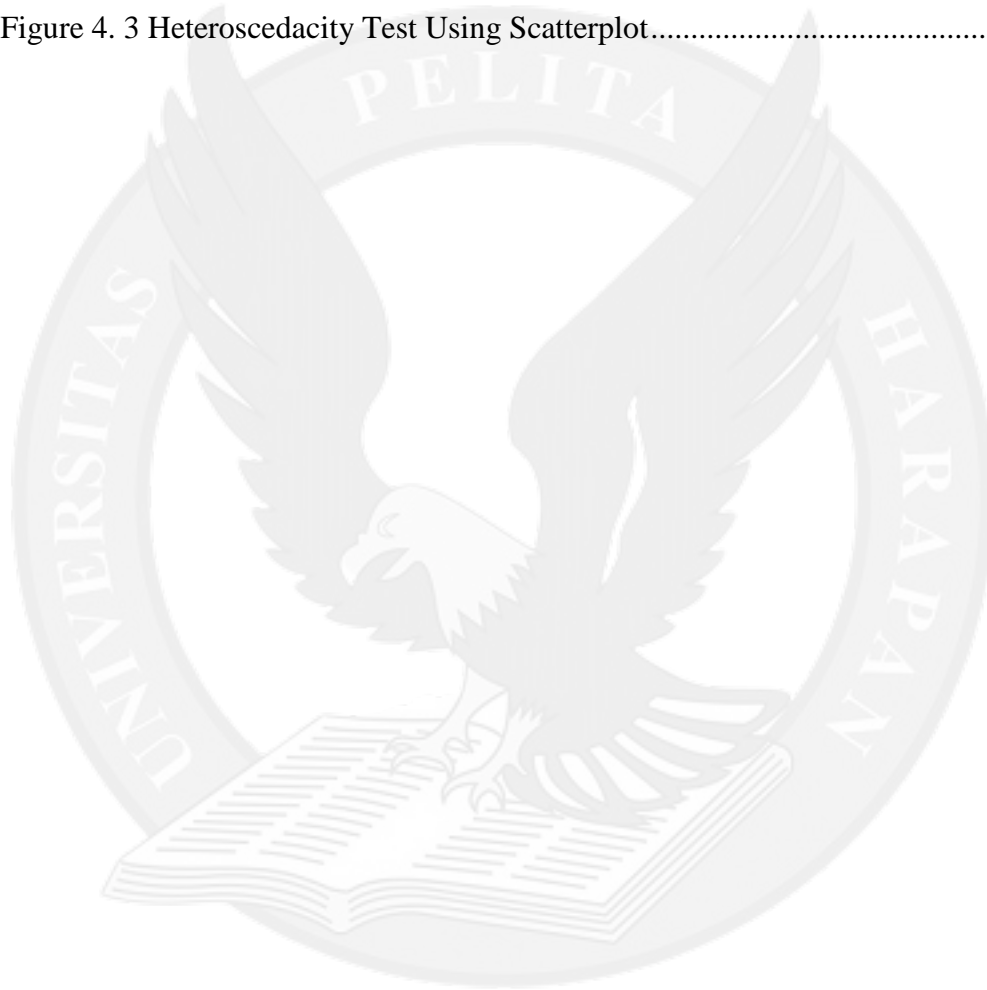
2.1	Theoretical Background .....	9
2.1.1	Signaling Theory.....	9
2.1.2	Stocks.....	10
2.1.3	Stock Price .....	11
2.1.4	The Definition of ROE, EPS, and PER .....	13
2.1.4.1	Return on Equity (ROE) .....	13
2.1.4.2	Earning per Share (EPS) .....	13
2.1.4.3	Price Earning Ratio (PER) .....	14
2.2	Previous Research .....	15
2.3	Hypothesis Development .....	20
2.3.1	Return on Equity and Stock prices.....	20
2.3.2	Earning per Share and Stock Price.....	21
2.3.3	Price Earning Ratio and Stock Price .....	21
2.3.4	Return on Equity , Earning per Share and Price Earning Ratio on Stock Price .....	22
2.4	Research Model.....	22
2.5	Framework of Thinking.....	23
<b>CHAPTER III .....</b>		<b>24</b>
<b>RESEARCH METHODOLOGY .....</b>		<b>24</b>
3.1	Research Design .....	24
3.2	Population and Sample .....	24
3.3	Data Collection Method .....	26
3.4	Operational Variable Definition and Variable Measurement.....	27
3.4.1.	Dependent Variable (Y) .....	27

3.4.2.	Independent Variable (X).....	28
3.5	Data Analysis Method .....	29
3.5.1	Descriptive Statistics.....	29
3.5.2	Classical Assumption Test.....	30
3.5.2.1	Normality Test .....	30
3.5.2.2	Multicollinearity Test.....	31
3.5.2.3	Autocorrelation Test.....	32
3.5.2.4	Heterokedasticity Test.....	34
3.5.3	Multiple Linear Regression Analysis .....	35
3.5.4	Hypothesis Test.....	36
3.5.4.1	Simultaneous Hypothesis Testing (F-Test).....	36
3.5.4.2	Partial Hypothesis Testing (T-Test).....	37
3.5.5	Determination Coefficient ( $R^2$ ).....	37
<b>CHAPTER IV</b>	<b>.....</b>	<b>39</b>
<b>DATA ANALYSIS AND DISCUSSION</b>	<b>.....</b>	<b>39</b>
4.1	General View of Research Object .....	39
4.2	Data Analysis .....	41
4.2.1	Descriptive Statistics.....	41
4.2.2	Result of Data Quality Testing .....	43
4.2.2.1	Normality Test .....	43
4.2.2.2	Multicollinearity Test.....	46
4.2.2.3	Autocorrelation Test.....	47
4.2.2.4	Heterocedasticity Test.....	48
4.2.3	Result of Hypothesis Testing.....	50

4.2.3.1 Multiple Linear Regression Analysis.....	50
4.2.3.2 Partial Hypothesis Testing (T-Test).....	51
4.2.3.3 Simultaneous Hypothesis Testing (F-Test).....	52
4.2.3.4 Coefficient Determination (R <sup>2</sup> ) Test .....	53
4.3 Discussion .....	54
4.3.1 Return on Equity (ROE) .....	54
4.3.2 Earning per Share (EPS).....	55
4.3.3 Price Earning Ratio (PER).....	56
<b>CHAPTER V CONCLUSION .....</b>	<b>57</b>
5.1. Conclusion.....	57
5.2. Recommendation.....	59
<b>REFERENCES.....</b>	<b>61</b>

## LIST OF FIGURES

	PAGE
Figure 2. 1 Research Model .....	22
Figure 2. 2 Framework of Thinking .....	23
Figure 4. 1 Normality Test P-Plot .....	45
Figure 4. 2 Normality Test Histogram .....	46
Figure 4. 3 Heteroscedacity Test Using Scatterplot .....	49



## LIST OF TABLES

	PAGE
Table 1. 1 ROE, EPS, PER and Stock Price .....	5
Table 2. 1 Conducted Previous Research.....	19
Table 3. 1 Determination of Sample .....	25
Table 3. 2 List of Samples .....	26
Table 3. 3 Autocorrelation Range Decision.....	33
Table 4. 1 Descriptive Statistics.....	42
Table 4. 2 Normality Test Result Using One-Sample Kolmogorov-Smirov .....	44
Table 4. 3 Multicollinearity Test.....	46
Table 4.4 Autocorrelation Test using Durbin Watson .....	47
Table 4. 5 Autocorrelation Test using Run Test .....	48
Table 4. 6 Heteroscedasticity Test using Park Test .....	48
Table 4. 7 Multiple Linear Regression Analysis.....	50
Table 4. 8 Partial Hypothesis (T-Test).....	51
Table 4. 9 Simultaneous Hypothesis Testing (F-test) .....	52
Table 4. 10 Coefficient of Determination (Adjusted R2) .....	53



## LIST OF APPENDICES

APPENDIX A List of Population and Sample .....	A-1
APPENDIX B Calculation of Return on Equity.....	B-1
APPENDIX C Calculation of Earning per Share.....	C-1
APPENDIX D Calculation of Price Earning Ratio.....	D-1
APPENDIX E SPSS Output Results (Before Outliers).....	E-1
APPENDIX F T-Distribution Table.....	F-1
APPENDIX G F-Distribution Table.....	G-1
APPENDIX H Durbin Watson Significance Table.....	H-1

