TABLE OF CONTENTS

ABSTRACT……..…….…. i

ABSTRAK.....……..... ii

ACKNOWLEDGMENT……..... iii

TABLE OF CONTENT……..... vi

TABLE LIST ……....…… x

FIGURE LIST…….....……... xi

APPENDIX LIST…….. xii

CHAPTER I INTRODUCTION .. …… 1

1.1 Background of Problem .. ……... 1

1.2 Identifications of Problems .. …….. 5

1.3 The Limitation of Problem .. ……...…… 5

1.4 Research Questions..…….…... 6

1.5 Objectives of Research ..…… 6

1.6 Benefit of Research..……... 7

CHAPTER II REVIEW OF LITERATURE …….. 8

2.1 Theoritical Review ..……... 8

2.1.1 Financial Statement ..……... 8

2.1.2 Value Relevance of Accounting Information …… 11

2.1.3. Stock Performance…….. 12

2.1.4 The Value Relevance of Earnings ……. 13

2.1.5The Value Relevance of Book Value …….. 20

2.1.6 The Value Relevance of Debt ……. 25

2.2 Previous Research…… …… .29

2.3 Research Framework …… …… 31

2.4 Hypothesis …… …… ……... 33

CHAPTER III RESEARCH METHOD ……. 34

3.1 Location and Time of Research ……... 34

3.2 Population and Sample…… …… 34

3.3 Research Variable and Operation Definition ……..... 35

3.3.1 Research variable …… …….. 35

3.3.2 Operational definition …… ……... 35

3.3.2.1 Dependent variable …… …… 35

3.3.2.2 Independent variable …… ……. 36

3.3.2.2.1 Earnings …… …….. 36

3.3.2.2.2 Book Value …… …… 36

3.3.2.2.3 Debt …… ……. ….. 36

3.4 The Technique of Data Collection ……37

3.5. The Technique of Data Analysis …… 37

3.5.1 Descriptive Statistics Test ……. ……37

3.5.2 The Classical Assumptions ……. …. 38

3.5.2.1 Normality Test …… …… 38

3.5.2.2 Multicolinearity Test ……. ……... 38

3.5.2.3 Heterocedasticity Test……. ……...38

3.5.2.4 Linearity Test ……. ……....38

3.5.3 Regression Analysis…….....39

3.5.4 Hypotesis Test ……. …….. .40

3.5.4.1 Determination Coefficient Test (R2) …….. .40

3.5.4.2 Partial Significance Test (t-test) ……40

CHAPTER IV RESEARCH RESULT AND ANALYSIS ……...41

4.1 Research Result ……. ……..41

4.1.1 General View of Sample ……. ……..41

4.1.2 Data Selection ……. …… ..45

4.1.2.1 Earnings ……. ……..45

4.1.2.2 Book Value (BV) ……. ……....45

4.1.2.3 Debt ……. ……..46

4.1.2.4 Stock Performance ……. ……..46

4.1.3 Result of Data Analysis ……. …….47

4.1.3.1 Descriptive Statistics Test ……. …..47

4.1.3.2 Classical Assumption Test ……. ….48

4.1.3.2.1 Normality test ……. ……..48

4.1.3.2.2 Multicolinearity test ……. ……....49

4.1.3.2.3 Heterocedasticity test ……. ……..50

4.1.3.2.4 Linearity test ……. ……...51

4.2 Regression Analysis ……. ……..52

4.2.1 Multiple Regression Analysis ……..52

4.2.2 Result of Determination Coefficient Test (R2) ……...53

4.2.3 Partial Significance Test (t-test) ……..55

4.3 Discussion ……. …….57

4.3.1 Value Relevance of Earnings ……. 57

4.3.2 Value Relevance of Book Value ……..57

4.3.3 Value Relevance of Debt ……. ……..58

4.3.4 Discussion about Indonesia Capital Market (Justification for Low Rate of R Square) ……. ……59

CHAPTER V CONCLUSION AND SUGGESTION …….61

5.1 Conclusion ……. ……...61

5.2 Limitation ……. ……....61

5.3 Suggestion ……. ……...62

REFERENCES ……..63

APPENDIX