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Proceedings

The Second International Conference On Finance

DEKANAT FAKULTAS EKONOMIKA DAN BISNIS

December 16 - 17, 2014 Grand Inna Kuta Hotel, Ball, Indonesia

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The Second International Conference on Finance Proceedings

Department of Management Faculty of Economics and Business Diponegoro University

Published by: Department of Management Gedung A Faculty of Economics and Business Diponegoro University JI. Prof. Soedharto, SH Tembalang Semarang, Jawa Tengah Indonesia Email: <u>manajemen@undip.ac.id</u> Telp: +6224 76486851 Fax: +6224 76486852

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DEAN'S WELCOME

Assalamu'alaikum!

Dear participants,

Welcome to Bali, Indonesia. We are very sure that The Second International Seminar on Finance "held by IFMA and Faculty of Economics and Business Diponegoro University will provide a perfect forum for you to have an academically-challenging conference. It is indeed great to see that this conference has attracted many participants from around the world.

I am personally pleased and felt deeply honored that many experts from the field of finance can gather here to disseminate the up-dated researches. We also honored as Prof Maureen O^{*}Hara (Cornell University) and Prof. Marti Subrahmanyam (New York University) will join with us as a keynote speakers.

We hope that this conference not only provide a forum for disseminate current research but also act as a room to increase networking as well as exploring opportunities for future collaboration.

Again, I wish you a fruitful conference and a pleasant stay in Bali, Indonesia.

Thank you,

Anis Charirie, PhD

Acting Dean,

Faculty of Economics and Business

Diponegoro University, Central Java, Indonesia





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Thank you,

Anis Charirie, PhD Acting Dean, Faculty of Economics and Business Diponegoro University, Central Java, Indonesia

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KEYNOTE SPEAKERS

Maureen O'Hara (Cornell University) Marti Subrahmanyam (New York University)

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Young-Han (Andy) Kim	(Nanyang Technological University)
Yuanto Kusnadi	(Singapore Management University)
Yupana Wiwattanakantang	

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PROGRAM

DAY	HOUR	PROGRAM	
Monday, December 15	16.15-18.00	Registration	
Tuesday, December 16	08.00-15.00	Registration	
	08.30-10.30	Concurrent Sessions I	
	10.30-10.40	Coffee Break	
	10.40-11.00	 Welcoming Speeches - IFMA - Faculty of Economics and Business, Diponegoro University - Vision of Bank Mandiri 	
	11.00-11.50	Keynote Speech by Marti Subrahmanyam Bale Banjar Ballroom	
CARL PLASSING TO	11.50-13.20	Lunch	
	13.20-15.20	Concurrent Sessions II	
	15.20-15.30	Coffee Break	
	15.30-17.30	Concurrent Sessions III	
	19.00-22.00	Dinner	
Wednesday, December 17	07.30-10.00	Registration	
inter-decidenceden bil	08.00-10.00	Concurrent Session IV	
	10.00-10.10	Coffee Break	
	10.10-11.00	Keynote Speech by Maureen Ohara Bale Banjar Ballroom	
	11.00-11.10	Best Paper Award and Closing	
	11.30-13.00	Lunch	
Thursday, December 18	08.30-night	Tour	

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PROGRAM SCHEDULE



. 8.30-10.30	į		
. 8.30 -	10.00	2 01	COUNT I
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Room	BALE KUTA	BALE PASEBAN III	BALE PASEBAN IV	BALE PESAMUAN	BALE BANJAR [INDONESIA LANGUAGE SESSION]
Session chair	Adrian Lee (University of Technology Sydney)	Julianu Malagon (Durhami University)	Inwarrante Multawarnan)	Putu Agus Ardiana (Minyana University)	Sunny Hersuma (Universitas Negeri Singaperhangsa Kanawang)
	"Differential Access to Prace Information in Protocold Markets" David Eastley (Gravall University) David Eastley (Gravall University) Maneseo O'Han (Graval University) Lifyin Yang (Gravetsity of Totunto)	Information Transfer Effect of Bond Rating Dowrgrades within the fudiustry and alting the Supply Chain: Protocore from CDS Manker ¹ Feng. The Taki AAB University 1 1006-Histor Chang (National Chi Nan University)	"How are Proceeds from Scasoncd Equity Offerings Used?" E. Han Kan (University of Michigan) Heujung Kim (Kangkymakwan University) Yaan Li (Tsunghun University) Yaa Lu (Tsunghun University)	"Optimal hedge Ratio Estimations and Iladging Effectiveness: Case Study in Asia's Community Futures Exchange Tanuschet Boenvenscheng (Kasetsort University) Votioee Optimuchtitrakul (Kasetsort University)	"Determinasi tingkar pengungkapan gada itank syartah di dinita" Kratuo Septyan (UPN "VETERAN" JAKARTA) Ema Hemawati (UPN "VETERAN" JAKARTA)
Discussmu	Arze Karum (Durhum University)	Jefficy L. Calka (Driversity of Thrasto)	William Megginsion (University of Oktaboma)	Harjum Malaram (Diprengere University)	Moh. Nofal (Tadulako University)
	"Market quality and anformed liquidity supply: hesiphs into Nasilio markee makeet helaryam" Argi Karam (Durham University)	"Shart Interest and Stuck Price Crash Risk" Jeffrey L. Caldar (University of Torrano) Manhua Fang, Keorgon State University)	"Provide without purpose: Reputation, differentiation, and pricing in U.S. equity underwriting." Crittin S. Fernando (University of Oktaharma) Vladimir A. Gatelocy (University of Central Piorela) Anthony D. May (Wichita Stane University) Anthony D. May (Wichita Stane University) Oktahoma)	"The Impact of the Domestic Interest kates. Exchange Rate, World Oil Prives, World Gold Prices, DNA, Nikkel 225 and 181 an the LCT Taris Hamann Synofi (Diponeguos University) Huyum Malasam (Diponeguro University)	 "Ident/fkast varniječi penydolači korang njitimilnya penyaloma kudit peritankun perioda rahun 2008 – 3912 (Studi pada PT. Batik Pembangutan Daerah (BPD); Kurverssunal di Indonszia)" Sti Puryandani Ulariversias Diponegoro) Eka Handriani (Universias Diponegoro)
Drspussant	Terry/Walter (University of Sydney)	Quentur C. Chu (University al'Memphis)	Heutjung Kan (Sungkyunkwan Enversity)	Tanachote Boorvoraehoto (Kascisart University)	Krismo Sapiyan (UPM "VETERAN" /AKARTA)
	"Do Frictions Associated with Market Microstinicature Explain the Ea-Dividend Day Answaly!" Antiput Africounth (University of Spinesy) Antiput Las (University al Technology Spinesy) Terry Walter (University of Spiney)	"The Flow of Isilation Information and the Putting of Maturing TIPS" Quantum C. Chur University of Memphis) Pawan Join (Central Michagan University)	"The Organization of Bark Affiliates; A Inconstitual Perspective on Risk and Efficiency" Filica Luciano (University af Tarino) Clas Wibliberg (Chapman University)	"Supersition and prices in residential real estate transactions" Danka Wright (University of Sydney)	Is External Finance Enhance Profitability ? An Empirical Evidence From Ficheres MicroBusiness in Cannal Sulawest? Mah. Nafal (Taducko University)
Discussing	Chungton Na (Nanyang Technological University)	Gilbert V. Nartea (Lincoln University)	Abdullah Mamun University of Saskatchewan)	Budi Frensidy (University of Indonesia)	Sut Puryamizmt (Universitas Diponegoro)
	"Satial Networks, Allumas, and the informational Efficiency of Sinck Prices" Zhanhui Chen (Nanyang Technological University) Jiang Luo (Nanyang Technological University) Chongwai Xia (Nanyang Technological University)	"Dis extrume nummer matter in emerging markets" Evidence from the Chinese stock market" Sibbert V. Nartes (Lincoln University) J. Wu (Xiamer University) Zhooltee Li (Lnenhi University)	"Are Banks Using Credit Darwhitws to Reduce Laus Raiss in Borrowes?" Mimila Azan (Narh Soith University) Abdullió Montin (University of Saskatchewant George F. Tannous (University of Saskatchewant)	"The performance of undiversified perificies in Indonesia stock exchange" Budi Fransidy (University of Indenesia)	
Discussent	32avid Eastey (Curriel) University)	Foug-fee Buil/Asia University)	Clas Wihlburg (Chapman University)	Danka Wright (University of Sydney)	

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Ruom	RALE KUTA	BALE PASEBAN III	BALE PASEBAN IV Shin S. Tools (National Godesia Institute for	BALE PESAMUAN	BALE BANJAR (INDUNESIA LANGUAGE SESSION) MAA MARI
SCSS-01. chair	Margaret Rui Zhu (Cuy University of Hirag Kong)	La Liu (Lund University)	Sturn 5: Meetin (Nollinoval) Graduote Institute Joi- Pedicy Studies)	Craig L. Ismelsen (Utah Valley University)	Mon, Notal (Tadalaka Unwarsity)
	"losights as the global macar-linance interface: Structural sources of risk lactors fluctuations and the cross-section of expected stock returns" Clandio Morana (Università di Milanu. Bierecu)	"The Influence of Individual Investors on Ex- Dividend Day Remark" Andrew Answerh University of Sydney) Adrum D. Lee (University of Technology Sydney)	"Returns and Durabing Times" Rehard Philip (Envestry of Sydney) Peter Buchan (University of Sydney) Gaahum Pathuguu (University of Sydney) Sieve Sauthelf (University of Sydney)	"The increasing of financial performance with ownership structure" Maya Indriastut (Sultart Agung Islamite University)	"Passan Model Perubekajaran Andri Berhasis Rieska Sehagai Strategi Pertingkatan Kualitas Calen Andriot" Suzy Moreyanti (Universitas Kristen Satya Wacana) Supatriti (Universitias Kristen Satya Wacana)
Discussant	Ofe Witney (University of Zurich)	Hitashi Takehari (Wasoja University)	Thesi Vernueden (INSEAD)	Pristina II. Setianingram (STEI)	Budhi Pamingkas Gautanas (Universitas Pendidikan Indonysia).
	-Solving Asset-Pricing Markols with Research Preferences. Watter Pult (University at Zirtels) Karl Schweidess (University of Zurich) Die Wilms (University of Zurich)	"Price Unscovery Process lectors and after the Introduction of "arrowhumt" Trading System at Tokyo Stoch "Schungu" Keitchi Kubete Chan University) Bittashi Takekara (Waseth University)	"Baybacks Annund the World: Market Trinking: Governmens and Krgabatann" Alberta Mansumi (Trihang University) Urs Payer (INSEAD) Theo Vernsielen (INSEAD)	"The effect of furcign exchange rate, inflation tate and market return on evena of bank persons' stock" Doddi Pristina (STEI) Pristina II. Settaningrure (STEI)	Ptrancargun sundar binyn pendidikan berbasia actwoly-based ensinng dalmm meningkutkan nuru pendidikan di pergunaan linggu Budhi Pamungkas Gautamu (Universitas Pendidikan holonesia)
Discussant	Claudio Meruna (Università di Milano Bicocca)	Elvis Jamecic (University of Sydney)	William L. Mogginson (University of Otlahoma)	Maya Indriastuti (Sultan Argung Islamic University)	Uun Sunsesh (STEI)
	"The Idiosyncritic voluitify anomaly: Corporate investment or investir mispricing" Juliana Makguu (Dorhum University) David Moreno (University Carlos III) Rosa Radriguez (University Carlos III)	"Towards A New Theory of Over-the-Counter Markess. The Pale of Relationships in Price Formation" Gaorge Issa (University of Sydney) Elvis Jameere (University of Sydney)	"Whence the Privatized Firm Dividend Permant" Abiliave Groyal (University of Liverpard) Shrifsare P. Jategereker (Southern Illinois University Edwardsville) Withern L. Megginsen (University of Oklahoma) Cal B. Mucklay (University College Subhn)	"The influence of intellocated capital toward finitocial performance, growth and marker value of the company" Lutuk Muhimatul Ifada (Sultan Agung Islamic University) Massudi (Sultan Agung Islamic University)	"Autolysis of the performance of Islamic mixed murium fluids in Indonesia by using sharpe, treymor, and Jansen: the period 2010-2012" Usin Sumusifi (STEI) Andriyance (STEI)
Discussant	Ramon Edward Stions (Universitias Siswa Bangsa Infomasouul)	Jos van Rommel (University of Luxembrurg)	Graham Partington (University of Sydney)	Puru Agus Ardiana (Udayana University)	Suzy Needyaani (Universitas Kristen Satya Wacanu)
	"Stock prices informativeness, firstancial erists and liquidity commonality. Fividance from Asian slock markels: Wahyae Sookarmono (Universitas Siswa Bangka Internasional) Rommer Edward Sitense(Universitas Siswa Bangsa Internasional) Romerr Joher (Universita Catholique de Litte)	 Fishwating meProportion of Informsol frade to Call Auction Call Auction Jos Vun Bammel (University of Laxenthoung) 		"Arbitrage profit patential in stock potion trading: case of Austmilia" Putu Agus Araliana (Udayana University)	
Discussion	Jultana Matagon (Durham: Uhriversity)	Adman Lee (University of Technology Sydney)		Lutuk Mutumatul Hada (Sultan Agung Islamic University)	

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Day 1, 15.30-17.30



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Room	RALE KUTA	BALE PASEBAN III	RALE PASEBAN IV	BALE PESAMUAN	(INDONESIA LANGUAGE SESSION)
Session	Admin Lee (University of Technology Sofney)	Clas Withbreg(Chapman University)	Nicholas Apricais (Canto University)	Jhunni Siraga (Universitas Mulawarman)	Siti Paryandani (Universita Dipategoro)
	"Dass Drues/frequor Really & chice & 68 " "Dass Kim (University of California Riversifig)	 "Inc.Case for incomplete Market" Lawrence E. Sume (Cornell Dirivestity) Tuesdoy Cardoy (New York University) David A. Easley (Cornell University) Thinnas J. Surgent (New York University) Viktor Topennikov (Cornell University) 	"The Government as a Large Shardon/der- Impact on the Veting Premium" Marclo Fernandes (Quuen Mary University of 1 andro) Walter Navaen (PUU-R(10)	"The cffwrt of findemental fuctor on devidend policy on firms listed in Indonesia stock evenange" (atot Nazir Alirmad (State University of Jukara) Vina Kasuma Wardani (State University of Jakarta)	"Reaksi pasar noodul Indonesiu terkuit pengumumun saham busus oleh emiten sebagai sebuah sinya!" Imsisus Remal Suganlu (Umvesitas Ma Chung) Ujulia Angela Natasya (Universitas Ma Chung)
Discussant		Scan Foley (University of Sydney)	Wayne W., Yn (Hong Kong Polytechnis University)	Dista Amalia Arifah (Sultau Agung Islumic University)	Robiyanto (Liniversitas Dipentgoto)
		"Should we be afraid of the dark? Dark trading and market quo(ity" Scan Folcy (University of Sydney) Talis J. Putnigk (University of Technology Sydney)	"Instider Ownership und Anulyst Foreeast Properties" Wayn (Heng Keng Jooquetine W. Wayn (Heng Keng Polytechnic (Intwestiy) Wayne W. Yu (Heng Kung Polytechnic Untwestiy)	"The influence of cumpany characteristics and auditor tepatation toward the acceptance of going concern guidt optimon" Dista Arralia Arrifah (Sultan Agung Islamic University) Septi Dowi Wijayanti (Sithan Agung Islamic University)	"Integrusi pusar modal dun contagion effect pada heberapa megura da kawasan ASEAN" Rohyamta (Universitus Diponegum)
Discussant	1//	David A. Earley (Cornell Drintversity)	Filesheth Megally (University of Zarich)	Gatat Nazir Ahmed (State University of Jakarta)	Tarsisius Renald Suganda (Universitas Mu Chung)
	 "Financial access and small busiless performance: evolvence from Malaysta" M. Mohil Real: (Universiti Malaysta Kelantari) Wee Yu (Beet (Eniversiti Malaysta Kelantari) Ridinavan Abdulluh (Universiti Malaysta Kelantari) Symenicaa Sulek (Universiti Malaysta Kelantari) 	Three and Pos rata: Matching: Evidence of a change in LHFH STIR Futures' change in LHFH STIR Futures' Angelo Aspris (University of Sythey) Start Euley (Lincoesity of Sythey) Poster O'NeitI(Lincoesity of New South Wales) Drew Harris (University of New South Wales)	"Managenul uhithy-udusted asser risk- and deht-taking incentives" Efaabeth Megally (University of Zurich)	"Model Poverty Alleviation Thringh Qardhul Hassn" Abdul Hakim (Sultan Agung Islamus University)	"Pengaruh pengelokan kenungan terhadap kinenja kenangan serta inpilikasinya pada penlagkatan PAD penkab Karawang" Sonny Hersona (Universitas Negeri Singapetbangsa Karawang)
Discussant	1	David Muthayluk (University of Technology, Subov)	Maroclo Fornandes (Queen Mary University of London)	Julisar (Bina Nusantara Il'aiversity)	1
	"A New Perinsite Table of Assel Performance The ThydroeS Index" Craig L. Israeiten (Uhah Valley Limvesty)	 Tiquidity provision in limit order binds markes? Tulis J. Punnys (University of Technology, Sythey) Darid Michaplok (University of Technology, Sythey) 	"Tauro at Rask: The Impact of Member Committeer Urouit Risk on the Stability of the Common Currency" Lamis Bekkaur (Linivensity of Lawenbourg) Xisong Jin (Linivensity of Taxenbourg) Thanston Lehnert (Liniversity of Lawenbourg) Thanston Lehnert (Liniversity of Lawenbourg) Chestian Wolf (Liniversity of Lawenbourg) Chestian Wolf (Liniversity of Lawenbourg)	"Erg implementation, adherence to case, grg implementation, opscational performance as performance" Julisae (Bina Nitsantara University)	
Discussant	· 12	Angolo Aspins (University of Sydney)		Abdul Hakam (Sultan Agung Islamic University)	

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Day 2, 08,00-10.00



Room	RALE KUTA	BALE PASEBAN III	BALE PASEBAN IV	BALE PESAMUAN	BALE BANJAK
Session chair	Tanachote Baonvorachose (Kasessur University)	Gilbert V. Naneu (Lincoln University)	David A. Basley (Coniell Unitiversity)	Budi Frensidy (University of Indonesia)	
	"The global shock exchange and its influence towards the Indonesia stoch exchange after the global financial erists in 2008" [hour Khajar (Sultan Agrang Islamic Iban Khajar (Sultan Agrang Islamic University)	"Spatial dependence in international bond markers" Hossein Arghartin (Land University) Marcus Lareson (Ilandelshurker) La Liu (Land University)	"Dynamic Measures of Competition" Margaret Rui Zhu (City University of Hong Kong)	"Long term relationship (co-infegration) among the asian's stock market and Jakata cumposite indices (JC1)" Alvinatis Santoso (Tarimanagam Alvinatis) (Directify) I. Rein Setyawan (Tarimanagara University)	
Discussant	Thoma Seraga (Universitas Mulawarman)	Nucliolas Apergas (Cartin University)	Tushio Scrita (Aoyama Dakum University)		
	"The determinants of the company value for Indonesia domestic all pairs plantations companies" Anis Radona Llury (Universitas Muleoamean) Irransysh (Universitas Mulawamean) Irransysh (Universitas Mulawamean) Irransysh (Universitas Mulawamean)	"Contagion ustross currency markens New evidence from eight mujur currency markets and the seen thranelist cristic Nethodas Apoget (Carlon Divicestry) Nethodas Apoget (Carlon Divicestry) Christma Chreata (University of Prizens) Articlus Caroxy (University of Wollongsorg)	"Risk Management of Japanese Fitms: A Survey research" Biddei Ilamuta (Chuo Liniversity) Biddei Serita (Aoyama Gakuin University)		
Discussion	Ibott Khajar (Sutturt Agung Islarus, University)	Lu Lau (Land University)	Margaret Rui Zhu (City University of Hong, Kung)		
L L L		"Cosporate Transpurctics, Product Innovation, and Shurcholdor Value Evalence from Korean Pharmacentical Jasings" Paul Moon Sub Chei (Twita School of Busiless) Jongkuk Lac (Tichia School of Basmuss) Jongkuk Lac (Tichia School of Basmuss) Jongkuk Lac (Tichia School of Basmuss) Jonghu Lee (Michigan State University) Hwunaong Lee (Michigan State University)	"The Demand for Warmets and Issuer Poising Strategles" Rainer Banks (University of Hagen) Philip Branska (University of Hagen)	"Dars growth options affected in Indonesia stock exchange" Rio Dham Laksans (Universities Diptoregoro)	
Discussion		Abdril Razak Abdul Hadı (Universiti Kuala Lurtipur)	Shin S. Reda (National Graduate Institute for Policy Studies)	Berny Bictiuwan Tjandrasa (Maranatha Christian University)	
		Texamination of ASEAN Stock Market Efficiency with Variabilities in Crinde Oil Prince and Matericecontruc Variables in a Panel Data Analysis Approxem Analysis Approxed Abdal Razak Abdal Hadi (Universiti Kunda Lampur) Lampur) Eddy Yar Tat Illung (Universiti Kunda Lambur)	"A Contingent Claim Analysis of Suicide" Sims S. Jacob (National Graduate Institute for Policy Starties)	"The influence of cps to flice-factor poting model" Bonoy Biglowaw Tjandrasa (Maranatha Christian University)	
Discussion		Pault Moon SubChot (Ewha School of Business)	Philip Blonski (University of Hagen)	Rio Ethnni Laksana (Universitas Dipomejaro)	

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THE INFLUENCE OF EPS TO THREE-FACTOR PRICING MODEL

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Abstract

Company's success in earning profit will raise the EPS and value of the firm. Increase in value of the firm will increase company's share price. Theoretically increase in EPS reflects management's success in rousing return will increase the company's share price. However a number of studies that discussed the EPS have different conclusions. There are a number of research findings that prove that the EPS variable has insignificant effect on market returns, while a number of other studies prove the EPS variable significantly influence the market return.

Allegedly these differences are influenced by stock market conditions at the time of the study, booms and busts conditions. This study adds a variable aMb (above minus below) EPS in the equation Fama-French Pricing Model and prove whether aMb variable has a significant effect.

The results reveal that independent variable aMb has a significant influence on expected excess return in Three-Factor Pricing Model in 'booms stock market' and has an insignificant influence on expected excess return in Three-Factor Pricing Model in 'booms and busts stock market'.

Keywords: CAPM, size capitalization, market risk premium, book-to-market ratio, earning per share.

1. Introduction

Introduced in 1960's by Sharpe, Lintner and Mossin, capital asset pricing model (CAPM) has been widely tested in various capital markets in various countries. In 1993 Fama and French developed a model which known as the Three-Factor Pricing Model (TFPM) or also known as the Fama-French Pricing Model (FFPM). Carhat in 1997 continued developed this model, which later introduced the Four-Factor Pricing Model (or also known as the Carhart Pricing Model) and Kubota and Takehara in 2010 developed the Five-Factor Pricing Model. They added new independent variables in the equation of the Three-Factor Pricing Model. This study adds a variable aMb (above minus below) EPS in the equation Fama-French Pricing Model and prove whether aMb variable has a significant effect. The reason to include variable aMb EPS is there are a number of research findings proved that the EPS variable has insignificant effect on market returns, while a number of other studies proved that EPS variables significantly influence market returns.

2. Theory and Hypothesis

The firm's earning per share (EPS) is generally of interest to present or prospective stockholders and management. EPS represents the number of dollars earned during the period on behalf of each outstanding share of common stock. (Gitman, 2012). Earning per share is calculated as follows:

Earnings per share = <u>Earnings available for common stockholders</u> Number of shares of common stock outstanding

According to Kasmir (2008) earnings per share of common stock is a ratio to measure management's successful to achieve profit for the stockholders. The low ratio means management is unsuccessful; on the contrary the high ratio means the management is success to achieve it.

Company's success in earning profit will raise the EPS and value of the firm. Increase in value of the firm will increase company's share price. Theoretically increase in EPS reflects management's success in rousing return will increase the company's share price. However a number of studies that discussed the EPS have different conclusions.

Researcher(s)	Year	Title	Result(s)	Source
Angrawit Kusumawarda ni	2012	Analisis Pengaruh Eps, Per, Roe, Fl, Der, Cr, Roa Pada Harga Saham Dan Dampaknya Terhadap Kinerja Perusahaan Lq45 Yang Terdaftar Di BEI Periode 2005-2009	The results of this study indicate that the variable EPS, PER, ROE, DER, ROA effect on stock prices and have an impact on firm performance.	Thesis, Universitas Gunadarma
Patriawan, Dwiatma & Sufian, Syuhada	2011	Analisis Pengaruh Earning Per Share (EPS), Return on Equity (ROE(, dan Debt to Equity Ratio (DER) Terhadap Harga Saham Pada Perusahaan Wholesale dan Retail Trade yang Terdaftar di Bursa Efek Indonesia (BEI) Tahun 2006- 2008.	From this research, it could be concluded that stock price is influenced by Earning per Share	Undergraduate thesis, Universitas Diponegoro.
Widodo , Saniman	2007	Analisis Pengaruh Rasio Aktivitas, Rasio Profitabilitas, Dan Rasio Pasar, Terhadap Return Saham Syariah Dalam Kelompok Jakarta Islamic Index (Jii) Tahun 2003 – 2005.	TATO, ROA, ROE and EPS gives positive and significant influence towords the return of sharia stocks	Masters thesis, Program Pasca Sarjana Universitas Diponegoro.
Noer Sasongko & Nila Wulandari	2006	Pengaruh Eva Dan Rasio-Rasio Profitabilitas Terhadap Harga Saham	Result of test indicate that only EPS having an effect on to share price.	Jurnal Empirika
Pasaribu, Rowland Bismark Fernando	2008	Pengaruh Variabel Fundamental terhadap Harga Saham Perusahaan Go-public di Bursa Efek Indonesia periode 2003- 2006	Earning per share was the dominant influence variable in six industries	Jurnal Ekonomi dan Bisnis , Vol. 2, No. 2 (July 2008): pp. 101-113.

Several studies which support the influence of EPS on stock prices are:

Several studies that oppose the influence of EPS on stock prices are:

Researcher(s)	Year	Title	Result(s)	Source
Yeye Susilowati	2011	Reaksi Signal Rasio Profitabilitas Dan Rasio Solvabilitas Terhadap Return Saham Perusahaan	Earning per Share(EPS), Net Profit Margin (NPM), Return on Asset (ROA) and Return on Equity don't have significance effect toward stock return.	Jurnal Dinamika Keuangan Dan Perbankan Vol 3, no.1 (2011)
Desy Arista & Astohar	2012	Analisis Faktor – Faktor Yang Mempengaruhi Return Saham	Earning per Share (EPS) has no significant effect on stock return manufacturing companies listed on the Indonesia Stock Exchange.	Jurnal Ilmu Manajemen dan Akuntansi 2012
Nathaniel Sd, Nicky	2008	Analisis Faktor-Faktor Yang Mempengaruhi Return Saham (Studi Pada Saham-saham Real Estate and Property di Bursa Efek Indonesia Periode 2004- 2006).	Debt to Equity Ratio (DER), Earning per Share (EPS) and Net Profit Margin (NPM) has not significant influence to stock return.	Masters thesis, program Pascasarjana Universitas Diponegoro.

Allegedly these differences are influenced by stock market conditions at the time of the study, the booms and busts stock market conditions.

In this study, I add one independent variable to test the effect of EPS, it is aMb variable which stands for: above minus below average EPS.

To find whether aMb has a significant influence, I generate two hypothesis:\

Hypothesis 1:

Independent variable aMb has a significant influence on expected excess return in Three-Factor Pricing Model in 'booms stock market'. Hypothesis 2:

Independent variable aMb has a significant influence on expected excess return in Three-Factor Pricing Model in 'booms and busts stock market'.

3. Data Collection Procedure

3.1. Data

As Tjandrasa (2013) previous research, the data is examined from:

- Indonesia Stock Exchange historical data from 2005-2011 period, which financial statement data for that period was taken from JKSE historical price-Yahoo! Finance.
- 3-month SBI rate (SBI: Sertifikat Bank Indonesia) from Bank Central Republik Indonesia's website, to determine risk-free rate return.
- Stock price times number of outstanding stock to get Market Equity (ME).
- Book to Market ratio is book equity divided by market equity. The final sample includes 140 data from 20 companies in 7 years' period.

3.2. Methodology

As Tjandrasa (2013), this research use panel data of the second semester LQ45's annual report from 2005 until 2011 and process it using Random Effect Model. Systematic sampling design is used for the sample data.

3.3. Construction of model

Three-Factor Pricing Model (TFPM) introduced by Fama and French in 1993 to predict the portfolio's abnormal return (Jogiyanto, 2010).

The equation can be written as follows:

$$rj,t-rf,t = \beta i^{M}(rM,t-rf,t) + \beta i^{SMB}SMBt + \beta i^{HML}HMLt + \varepsilon j,t$$
(1)

Where:

• expected excess return on portfolios is represent by rj,t-rf,t

- market risk premium is represent by rM,t-rf,t
- size capitalization is represent by SMB
- book-to-market ratio is represent by HML

In this study, I add one independent variable to test the effect of EPS, it is aMb variable which stands for above minus below average EPS. The new equation is formed as follows:

$$rj,t-rf,t = \beta i^{M}(rM,t-rf,t) + \beta i^{SMB}SMBt + \beta i^{HML}HMLt + \beta i^{aMb}aMbt + \varepsilon j,t$$
(2)

4. Results

Here is a modified Three-Factor Pricing Model with and without variable aMb in 'booms and busts on market conditions', which include all years from 2005 to 2011.

Booms and Busts Market

				Std.	t-	p-	Sig
Regression Model	Intercept	Variables	Coefficient	Error	Statistic	value	
TFPM+aMb	-0.04335	RMRF	1.126971	0.23005	4.898811	0	***
		RSMB	0.471637	0.185884	2.537261	0.0139	**
					-		
		RHML	-0.017263	0.144766	0.119249	0.9055	
		RaMb	0.097811	0.300044	0.325988	0.7456	
CAPM+SMB+aMb	-0.03682	RMRF	1.110443	0.181826	6.107159	0	***
		RSMB	0.470931	0.183986	2.559608	0.0131	**
		RaMb	0.097071	0.297067	0.326764	0.745	
CAPM+HML+aMb	-0.16587	RMRF	1.452495	0.200874	7.23087	0	***
					-		
		RHML	-0.005574	0.152211	0.036619	0.9709	
		RaMb	0.370026	0.294767	1.255317	0.2143	
TFPM	-0.01136	RMRF	1.097485	0.20966	5.234586	0	***
		RSMB	0.493304	0.172067	2.866932	0.0057	***
					-		
		RHML	-0.016287	0.143461	0.113529	0.91	

Notes:

*** p-value less than 0.01

** p-value less than 0.05

* p-value less than 0.10

From the modified Three-Factor Pricing Model 'booms and busts in the market conditions' by trying various combinations of variables such as the CAPM, SMB, HML, and aMb showed the following results:

- a. Equation Three-Factor Pricing Model + aMb, consists of variable Rm-Rf, SMB, HML, and aMb, has two independent variables with a significant effect, the market risk premium (Rm-Rf), and capitalization size (SMB), while the variable book-to-market ratio (HML) and earnings per share (aMb) has insignificant effect on the expected excess return (Rj-Rf).
- b. CAPM equation + SMB + aMb, consists of variable Rm-Rf, SMB, and aMb, also has only two independent variables with a significant effect the market risk premium (Rm-Rf), and capitalization size (SMB), while variable earnings per share (aMb) has insignificant effect on the expected excess return (Rj-Rf).
- c. CAPM equation + HML + aMb, consists of variable Rm-Rf, HML, and aMb, has only one significant independent variable, the market risk premium (Rm-Rf), while the variable book-to-market ratio (HML) and earnings per share (aMb) has insignificant effect on the expected excess return (Rj-Rf).
- d. Equation Three-Factor Pricing Model, consists of variable Rm-Rf, SMB, and HML, has two independent variables with a significant effect, the market risk premium (Rm-Rf), and capitalization size (SMB), while the book-to-variable market ratio (HML) has insignificant effect on the expected excess return (Rj-Rf).

Based on the above results it can be concluded that the market risk premium and size capitalization were significantly influence the expected excess return between 2005 and 2011 when the capital market experienced a period of 'booms and busts' (between that period, namely in 2008, there was a decline in the stock market due to declining global economic conditions). In this period variable earning per share (aMb) has insignificant effect on the expected excess return.

4.1. Booms Market

Here is a modified Three-Factor Pricing Model with and without variable aMb in 'booms market conditions'. In this conditions the year 2008, when the world economy and capital markets experienced a downfall, not included.

				Std.	t-	р-	Sig
Regression Model	Intercept	Variables	Coefficient	Error	Statistic	value	
TFPM+aMb	-0.03843	RMRF	1.144434	0.294032	3.892211	0.0003	***
		RSMB	0.48266	0.215428	2.240473	0.0296	**
		RHML	0.006085	0.298559	0.020382	0.9838	
		RaMb	0.061592	0.499664	0.123266	0.9024	
CAPM+SMB+aMb	-0.03992	RMRF	1.142049	0.266529	4.284889	0.0001	***
		RSMB	0.480439	0.183606	2.616687	0.0117	**
		RaMb	0.069115	0.332761	0.207701	0.8363	
CAPM+HML+aMb	-0.1943	RMRF	1.10572	0.307249	3.598778	0.0007	***
		RHML	-0.332296	0.269583	-1.23263	0.2235	
		RaMb	0.782987	0.399954	1.95769	0.0559	*
TFPM	-0.02629	RMRF	1.158673	0.267201	4.336329	0.0001	***
		RSMB	0.499772	0.162793	3.069995	0.0035	***
		RHML	0.033271	0.198867	0.167303	0.8678	

Notes:

*** p-value less than 0.01

** p-value less than 0.05

* p-value less than 0.10

From the modified Three-Factor Pricing Model on the market booms conditions by trying various combinations of variables such as the CAPM, SMB, HML, and aMb showed the following results:

- a. Equation Three-Factor Pricing Model + aMb, consists of variable Rm-Rf, SMB, HML, and aMb, has only two independent variables with a significant effect, the market risk premium (Rm-Rf) and size capitalization (SMB), while the book-to-market ratio (HML) and earnings per share (aMb) has insignificant effect on the expected excess return (Rj-Rf).
- b. CAPM equation + SMB + aMb, consists of variable Rm-Rf, SMB, and aMb also has only two independent variables with a significant effect, the market risk premium (Rm-Rf), and capitalization size (SMB), while variable earnings per share (aMb) has insignificant effect on the expected excess return (Rj-Rf).

- c. CAPM equation + HML + aMb ,consists of variable Rm-Rf, HML, and aMb, has two independent variables with a significant effect, the market risk premium (Rm-Rf) and earnings per share (aMb), while the variable book-to-market ratio (HML) has insignificant effect on the expected excess return (Rj-Rf).
- d. Equation Three-Factor Pricing Model, consists of variable Rm-Rf, SMB, and HML, has two independent variables with a significant effect, the market risk premium (Rm-Rf), and capitalization size (SMB), while the book-to-variable market ratio (HML) has insignificant effect on the expected excess return (Rj-Rf).

Based on the above results it can be concluded that the overall market risk premium and size capitalization significantly influence the expected excess return when capital market conditions in the period when the market booms in 2008 were excluded from the panel data because it is considered as an outlier. In particular, the variable earnings per share is represented by aMb variables also have a significant effect on the CAPM equation +HML + aMb.

5. Conclusions

From the discussion above it can be concluded:

- 1. Independent variable aMb has a significant influence on expected excess return in Three-Factor Pricing Model in 'booms stock market'. So hypothesis 1 can be accepted.
- Independent variable aMb has an insignificant influence on expected excess return in Three-Factor Pricing Model in 'booms and busts stock market'. So hypothesis 2 cannot be accepted.
- 3. Market risk premium and size capitalization have a significant influence on expected excess return both in 'booms market' and 'booms and busts market' condition.

The EPS has an insignificant influence to the expected excess return presumably related to the fall of the stock prices in 2008. At the end of 2007 the EPS in various companies were in good level, but they fall along with the falling of the world stock prices index in 2008. Based on that situation, data from 2008 is considered as anomalies (outliers) and therefore excluded from the analysis.

6. Managerial Implications

To predict expected excess return portfolio managers can count on market risk premium and size capitalization to predict expected excess return both in booms market and booms and busts market condition.

However, earnings per share can be used primarily to predict the expected excess return of portfolio in the market booms condition. Using a regression model CAPM + HML + aMb, aMb independent variable representing the EPS has a p-value under 10% (or slightly above 5%) and had a coefficient of 0.782987 which means that a 1% increase in EPS has the effect of 0.78% for the increase in the expected excess return .

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