Abstract

Objectives - The principal purpose of this exploratory study is to investigate the relationship between earnings per share (EPS) and cash flows per share (CPS) to the stock price of listed companies in Jakarta Stock Exchange (JSX).

Method - The method used in this study is hypotheses testing. Using data from the most LQ45 listed companies in Jakarta Stock Exchange (JSX), the author will analyze descriptive statistics and normal probability plots. Then, the author will develop regression models with white test to investigate the relationship between earnings per share (EPS) and cash flows per share (CPS) to the stock price. In order to strengthen the main analysis, the author also performs two (2) sensitivity analyses: company size and elimination of outlier samples.

Result – The result shows it is indication that EPS is highly significant to valuate stock price. However, CPS is not significant. This result also happens in the sensitivity analysis. Both company size analysis and elimination of outliers’ analysis still shows that EPS is highly significant to evaluate the stock price, while the CPS is not.

Conclusions - The findings support concludes several results. First, stock price of listed companies in Jakarta Stock Exchange (JSX) has significant relationship to earnings per share (EPS), but not to cash flows per share (CPS). Thus, higher level of EPS will provide higher stock price. Second, there is a trend that the larger company size, the more significant the interaction between stock price to the EPS and CPS. Third, the research reveals that some samples are outliers due to the high difference between minimum value and maximum value. However, the entire outlier samples have no significant impact on main analysis result.

Key Words

Earnings per Share (EPS), Cash flow per Share (CPS), and Stock Price.
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The author
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