THE ACCURACY OF PROFIT FORECAST AND ITS IMPACT ON THE IPO LONG-RUN PERFORMANCE IN INDONESIA

I Gusti Ayu Esika  1000858591

Abstract

Objectives The main objective of this research is to empirically examine the accuracy of management profit forecast compared with the profit forecast calculated from the historical profit. Moreover, the objective is to examine whether the accuracy of management profit forecast has impact on the short-run and long-run IPO performance. The last objective is to identify whether the investors anticipate the forecast bias.

Method In this research, the sample use is all companies in Indonesia that conducted IPO within the period of 2000 to 2008. There are three hypotheses developed in this research. The data is analyzed using Superiority model, Modified Superiority model, One Sample T-test, and Multiple Regression Analysis.

Results The first results revealed that the management profit forecast is more accurate than the calculation from historical profit. The second result is that the accuracy of management profit forecast affects the IPO short-run and long-run performance. The last result is that the investors in Indonesia do not anticipate the profit forecast bias.

Conclusion The conclusion of this research is the management profit forecast has utility over the historical profit and management has more information to be considered in making the forecast. Moreover, the accuracy of management profit forecast affects the long-run stock return and investors are overreact towards IPO companies. Lastly, the investors unable to predict the forecast bias which cause the investors do not anticipate the forecast bias.

Key words

IPO, accuracy of management profit forecast, long-run performance, average growth model, superiority model, investors’ anticipation.