The Effect of Changes in Return on Assets, Return on Equity, and Economic Value Added to the Stock Price Changes and Its Impact on Earnings Per Share

Dyah Purnamasari
Lecturer of Widyatama University Bandung & Doctoral Students of Management Department, Faculty of Economics and Business, Pansudan University, Bandung, Indonesia

1. Introduction

Along with the development of economic globalization are experiencing rapid change and development, the reality show that will affect the development of the business world. Competition between firms regional, national, and international heavier. Companies are required to be able to withstand competition in the continuity of the wheels of business. Companies are not only to be able to compete in the trade market, but also in the capital markets.

The capital market is a means to make investments that allow investors to diversify investments, forming a portfolio according to the risk they were willing to bear the expected profit rate. Investments in securities are also liquid (easily changed), therefore it is important for the company always pay attention to the interests of the owners of capital by way of maximizing the value of the company, because the value of the company is a measure of the success of the operations are financial functions.

Capital markets and securities industry is one of the indicators to assess a country's economy going well or not. This is due to the company in the stock market are large companies and credible in the country concerned, so if there is a decrease in the performance of the stock market can be said to have occurred also a decline in the performance of the real sector (Sutrisno, 2001).

In this globalization era instability Composite Stock Price Index is one example of the change in the stock price. Changes in stock prices can be affected by many factors, which may include and merger and acquisition activity, expansion, growth of the business, the expected rate, government policies, market performance, the type of shareholder, investor psychology changing between pessimistic and optimistic, as well as the country's economy (www.gthendrawinata.com). Broadly speaking, the factors that may affect the stock price can be grouped into three categories, namely: (i) external influences (supply and demand, the level of efficiency of capital markets, the level of risk, a country's inflation rate, as well as the tax rate), (ii) behavior of investors, and (iii) the issuer's financial performance.

In this study the authors limited the problem by looking at the change in the stock price of the issuer's financial performance alone. Since the author uses fundamental analysis that focuses on the key data in the financial statements to account for whether the stock price has been in appreciation accurately.

Financial analysis is highly dependent on information provided by financial statements. The financial statements of the company is one of the important sources of information in addition to other information such as the information industry, the state of the economy, the market share of the company, the quality of management and others. There are three basic financial statements produced by a company, which includes: (i) the balance sheet (ii) cash flow statement (iii) the income statement. Besides these three basic report, produced as well as the supporting statement of retained earnings statement, changes in equity, and discussions by management. The financial information contained in the company's financial statements containing historical data that is useful in the assessment of investment analysis and forecasting. An assessment of the assets and liabilities of the company, health and financial ratios is an important input in the analysis of investment, especially in the rate of return on capital that is reflected in the stock price. There are many financial ratios can indicate the level of performance of companies such as return on assets (ROA), Return on Equity (ROE) and Economic Value Added (EVA).

Above phenomenon is the basis for the author's interest to conduct research in the form of an analysis of changes in return on assets, return on equity, and Economic Value Added and stock price changes and their impact on the Earning per Share (EPS) for a look at the conditions are always changing from year to year. The study will use the company's financial statements incorporated in the LQ 45 in Indonesia Stock Exchange in 2012 and 2013. The reason the authors took a sample company incorporated in the LQ 45 as a company under investigation by the consideration that the company is incorporated in the LQ 45 in Indonesia Stock Exchange are 45 companies that have been chosen after the selection criteria that will consist of stocks with high liquidity and also consider the stock market capitalization, which would certainly attract many investors to invest their shares in companies LQ 45. In addition, the company has been listed in the stock market may be easier in the process of calculating the economic value added which requires an estimate of the cost of capital in comparison with the company that has not gone public.

Return on Assets development company incorporated in the LQ 45 consistent in the period 2012 to

2013 the average has decreased, there are only 8 companies have increased and one company that has not changed. The development of the return on equity company incorporated in a consistent LQ 45 registered during the period 2012 to 2013 the average has decreased and there are only seven companies that have increased. The development of Economic Value Added corporation incorporated in a consistent LQ 45 registered during the period 2012 to 2013 the average has increased, there are only seven companies that declined. The development of the company's stock price is incorporated in a consistent LQ 45 registered during the period from 2012 to 2013 most of the increase, there is only one company that has decreased.

2. Review of Literature

2.1 Understanding Financial Statements and Financial Statement Analysis

Financial report is basically the result of the accounting process that can be used as a tool for communication between financial data or activities of a company with the parties concerned with the data or activity of certain companies. (Munawir, 2002: 2). While understanding the analysis of financial statements according to Sofyan Syafri Harahap (2004: 190) in his book Critical Analysis of Financial Statements, means:

Outlining the financial statement items into smaller units of information and to make the connection that is significant or that have meaning to one another between the quantitative data as well as data on non quantitative in order to determine the financial condition is very important in the process of making decisions right. Here the activities of financial statement analysis function to convert the data from the report as raw materials become more useful information, deeper, and sharper with certain techniques.

2.2 Objectives of Financial Statement Analysis

Financial statement analysis conducted, intended to supplement the information contained in the financial statements. Objective analysis of financial statements according to Bernstein (1983), cited by Sofyan Syafri Harahap (2004: 197) are as follows:

1. Screening, analysis is done by looking in the analysis of the financial statements for the purpose of selecting a possible investment or merger.
2. Forcasting, analysis is used to forecast the company's financial condition in the future.
3. Diagnosis, analysis intended to look at the possibility of problems that occur both in management, operations, financial or other problems.
4. Evaluation, analyzes were conducted to assess the performance of management, operational efficiency, and others.

Interpretation or analysis of a company's financial statements will be very useful for the analyzer to determine the circumstances and financial development of the company concerned, and the management company will be able to know the progress of the company, and will be known financial results that have been achieved at times the past and the running time.

2.3 Object Analysis of Financial Statements

Objects analysis of financial statements according to Sofyan Syafri Harahap (2004: 198-201) consists of:

1. Analysis of Profit / Loss, is a medium to determine the success of the company's operations, the state of the business, the customers, the ability to make profits, the effectiveness of its operations.
2. Analysis of the Balance Sheet, is a reflection of the company to obtain results for a certain period and the capital used to carry out and achieve it.
3. Cash Flow Analysis, in order to show the movement of the cash flows from the source of cash acquired and where it flowed. Usually the cash flow statement of sources and uses of funds obtained from three sources, namely: operational, financing and investment.

While the link between these three reports will be able to give birth to a lot of information, for example by linking the profit / loss of the balance will be known to the effectiveness of resource wealth is used to generate profit, the source of where the money effectively and contribute to the company.

2.4 Limitations of Financial Statement Analysis

According to Sofyan Syafri Harahap (2001: 201-203), the limitations of financial statement analysis must consider the limitations of such statements:

1. The financial statements can be historical, namely a report on past events. Therefore, the financial statements can not be considered as a report on the current situation, therefore accounting not only the sole source of information in economic decision-making process.
2. The financial statements illustrate the value of goods or the exchange rate at the time of the transaction, not the current price.
3. The financial statements of a general nature and is not intended to meet the needs of a particular party. Information can be presented to all parties, so that all parties are forced to always pay attention to

the actual users have different interests.

4. The process of preparation of the financial statements did not escape from the use of estimates and judgment in choosing an alternative variety of different options that are equally justified but cause different rates of income and assets.
5. Accounting does not include information that is not material. Similarly, the application of accounting principles to a particular fact or post may not be executed if this does not cause a material impact on the feasibility of the financial statements. Restrictions on the terms and the amount is rather vague.
6. The financial statements are conservative in the face of uncertainty, when there are several possible conclusions are not sure about the assessment of an item, it is usually chosen alternative to net income or the value of assets is the smallest. In other circumstances mentioned if there is an indication of the loss should be recorded, but if there are indications of profit should not be recorded. So there holding gains are not disclosed.
7. The financial statements are prepared using technical terms, and users report assumed to understand the technical language of accounting and the nature of the information reported.
8. Accounting predominantly quantitative information. Qualitative information and facts that can not be quantified generally ignored. However, quantitative information could be indicative of a picture or qualitative information.
9. Changes in the purchasing power of money obviously there, but this is not reflected in the financial statements.

2.5 Financial Ratio Analysis

In undertaking the interpretation and analysis of financial statements, a financial analysts require any size or "yard-stick" certain. Measure often used in financial analysis is "ratio" (Bambang RJ, 2001: 329). Ratio analysis is one of the very common analytical technique performed or used in the analysis of financial statements, in which the results will give a relative measurement of the operating companies. Financial ratios have been widely associated with the ability to predict and to decision-making. Financial ratios have high levels of prediction, then a small error rate (Meythi, 2005: 260). Ratio analysis is a method of analysis to determine the relationship of certain items in the balance sheet or income statement as an individual or a combination of the two reports (Munawir, 2002: 37). Meanwhile, according to Ridwan S. Sundjaja and Inge Barlian (2003: 128), ratio analysis is a method of calculation and interpretation of financial ratios to assess the performance and status of a company. Financial ratios include two types of comparisons (Bambang RJ, 2001: 329). First, the analysis can compare with the ratio now and then and that would come to the same company (internal comparison). If the financial ratios presented in the form of a list for a period of several years, the analysis can study the composition changes and establish whether there is an improvement or even reverse in the financial condition and achievements of the company during that period. Financial ratios can also be calculated based on the financial statements or projected performance, and financial ratios compared with present or past.

Secondly, the comparison involves comparison of the ratio of companies with similar companies or the industry average at the same point (external comparison). The comparison could give an idea of the relative financial condition and achievements of the company. Only by comparing the financial ratios of the company with other similar companies an analysis can provide a realistic consideration. As far as possible, the accounting data from various different companies can be standardized. So the financial ratio analysis is a useful tool, but it must be used wisely, carefully and can not be used in mechanistic mathematical, because financial ratios are not the only complete answer to the question about the performance of the company (Nurul Isnani and Sri Iswati, 2001: 202).

2.6 Types of Financial Ratio Analysis

Many authors classify financial ratios with different terms with the purpose of analysis. According to Ridwan S. Sundjaja and Inge Barlian in his book Financial Management I (2003: 131), the group's financial ratios are divided into five basic categories, namely: the liquidity ratios, activity ratios, leverage ratios, profitability ratios, and the ratio of the market.

Meanwhile, according to Agus Sartono R. (2001: 114) there are four groups of financial ratios, namely:

1. The liquidity ratio, which shows the company's ability to meet short-term financial obligations on time.
2. The ratio of activity, shows the extent of the company's efficiency in using assets to obtain sales.
3. The leverage ratio, showing the capacity of the company to meet the obligations of both short term and long term.
4. The ratio of profitability, can measure the company's ability to obtain a good profit in relation to sales, assets, capital and profits for themselves.

The ratio is considered as the most valid instrument for measuring the results of the implementation of the company's operations is the ratio of profitability, because the profitability ratio is a comparison tool in a variety of investment alternatives according to the level of risk. The greater the investment risk, the expected profitability of the acquired higher the (Meythi, 2005: 259). Advantages of Financial Ratio Analysis This financial ratio analysis has advantages over other analytical techniques. These advantages by Sofyan Syafri Harahap (2001: 298) are:

1. The ratio of the numbers or summary statistics that are easier to read and interpret.
2. It is more simple replacement of the information presented financial statements are very detailed and complicated.
3. Knowing the company's position in the middle of other industries.
4. Very useful for filling material in the decision-making models and predictive models (Z-score).
5. Menstandarisir size companies.
6. It is easier to compare the company with another company or see the development of the company periodically or "time series".
7. It is easier to see the trend of the company and make predictions in the future.

Advantages of Financial Ratio Analysis
This financial ratio analysis has advantages over other analytical techniques. These advantages by Sofyan Syafri Harahap (2001: 298) are:

1. The ratio of the numbers or summary statistics that are easier to read and interpret.
2. It is more simple replacement of the information presented financial statements are very detailed and complicated.
3. Knowing the company's position in the middle of other industries.
4. Very useful for filling material in the decision-making models and predictive models (Z-score).
5. Menstandarisir size companies.
6. It is easier to compare the company with another company or see the development of the company periodically or "time series".
7. It is easier to see the trend of the company and make predictions in the future.

2.7 Return On Equity (ROE)

Return on Equity is a commonly used analysis by investors and corporate leaders, to measure how much profit can be the right owner's own capital. For investors, the analysis of return on equity is important because the analysis can determine the benefits of the investments made. For companies, this analysis is important because it is a pull factor for investors to invest. Return on equity is a measure of earnings (income) are available for the owners of the company (both ordinary shareholders and preferred shareholders) on the capital they invest in the company. In general, of course, the higher the return or income earned, the better the position of the owner of the company (Lukman Shamsuddin, 2002: 64). Return on Equity shows the profitability of own capital or often referred to as the profitability of the business. This ratio is also influenced by the large-small enterprise debt, if the debt the greater proportion of this ratio will also increase.

2.1.5.1 Basic Concepts of Economic Value Added

Economic Value Added is one way to assess financial performance. Economic Value Added is an indicator of the additional value of an investment. Economic Value Added positive indicates that the management of the company managed to increase the company's value for the owner of the company in accordance with the objective of maximizing the value of the company's financial management (Agnes Sawir, 2003: 48). Another notion, Economic Value Added is the financial performance measure that comes closer than any other to capturing the true economic profit of an enterprise. Also Economic Value Added is the performance measure most Directly linked to the creation of shareholder wealth over time. Meaning: "Economic Value Added is a measure of financial performance that is closer to the actual take into account the economic profit of a company's financial performance than the other. Economic Value Added is also a financial performance measure most directly related to the creation of shareholder wealth over time.

Term Economic Value Added originally popularized by stern Steward Management Service, which is a consulting firm in the United States around the 90s. Stern Steward calculate Economic Value Added by reducing the net operating profit after tax to the total cost of capital.

Economic Value Added can be calculated with the following formula:

EVA = NOPAT (capital x the cost of capital)

Or, EVA = net operating profit after taxes (NOPAT) - Cost of capital (invested capital x Cost of capital) = NOPAT - (average IC x WACC)

(Young and O'Byrne, Lusy translation Widjaja, 2001: 32 and 49)

Where Is:

EVA = Economic Value Added (economic value added)
NOPAT = Net Operating Profit After Tax (Net operating profit after taxes)
IC = Invested Capital (the capital invested)
WACC = Weighted Average Cost of Capital
(Cost of capital weighted average)

In accordance with the understanding, Economic Value Added is able to calculate the true economic profit or true economic profit of a company in a given year and is very different when compared to accounting profit. Economic Value Added reflects residual income remaining after all costs, including equity capital has been deducted, while the accounting profit is calculated without subtracting the cost of capital.

Economic Value Added provide better measurement of the value added by the company to shareholders, because the approach of Economic Value Added refers to the rate of return on equity and return on investment. Therefore, managers who focus on economic value added can be interpreted has been operating in a consistent manner to maximize shareholder wealth. It should be noted that the economic value added can also be applied at the level of division or subsidiary company, thereby Economic Value Added is one of the better criterion in the assessment of managerial policies and compensation. The value of the company will increase if the company finance investment with a positive net present value, which will provide economic value added to the shareholders. According to Agnes Sawir (2003: 48-49), Economic Value Added also be improved by:

1. Getting more profit without using more capital. A popular way in this case is cut labor costs with the cost of production and marketing are lower in order to obtain greater profit margins. This can also be achieved by increasing asset turnover, either by increasing the volume of sales or work with lower assets.
2. Getting a refund (return) is higher than the cost of capital on new investments. It actually involves the growth of the company.

If EVA> 0, a process of value-added companies which indicates that the rate of return on capital that is generated exceeds the level of capital costs or exceeds the required return on investment investor does, so the company's financial performance either. While <0, indicating that the value of the company is reduced as a result of the return on capital generated at a rate lower than the cost of capital or lower than the rate of return demanded by investors, so that the company's financial performance is not good.

Definition of Shares

Shares are proof of ownership of a company (Suad Husnan, 2001: 36). Advantage enjoyed by shareholders derived from the payment of dividends and share price increases. Meanwhile, according Sunariyah (2004: 127), shares are securities as proof of ownership or possession of individuals and institutions issued by a limited liability company (PT). Shares stated that the owner of these shares is also part-owner of the company. For companies concerned, received from the sale of shares "will remain embedded" within the company during his lifetime, although the shareholders themselves were not a permanent planting, because every time the shareholders can sell their shares.

2.1.6.2 Types of Shares

According to Bambang RJ (2001: 240), the types of shares are as follows:

1. Commond Stock
   Holders of ordinary shares will receive a dividend at the end of the financial year, only if the company benefit. If the company does not earn a profit or even incur losses, the shareholders will not receive dividends, and on the existing legal provisions, namely that a company suffers a loss, for losses that have not been closed, so long as the company is not allowed to pay dividends.
2. Preferred Stock
   Preferred shareholders have some "preference" above certain holders of ordinary shares, ie especially in things:
   a. Dividend
      Dividends on preferred stock taken first, then the rest is then provided for the ordinary shares (stock commond). Preferred stock dividends declared in a certain percentage of the nominal value.
   b. Distribution of Wealth
      If the company dilikuidir, then the distribution of wealth, preferred shares take precedence over ordinary shares. But on the other hand preferred shareholders are also disadvantages compared to common stockholders, as holders of preferred shares have no voting rights in the general meeting of shareholders.
3. Cumulative Preferred Stock. This type of stock is basically the same as the preferred stock. The difference lies only in the presence of cumulative right on cumulative preferred stock. Thus the cumulative preferred shareholders receive dividends, if not for some time because the profits are

not allowed or because of the loss, the holder of the type of shares if the company's future benefit is entitled to claim the dividends are not paid in times past.

2.1.6.3 Stock Price

As it is known that the price of an opinion or consensus among market participants about the value of a good or service based on the information they receive about the goods or services, so the price is nothing but the value of the goods or services itself. The share price is the price of a type of stock that is formed in the stock market due to the action of the investors purchase the stock securities, commonly called the market price. The price is also often referred to as exchange stock price. According Eduardus Tandelilin (2001: 156), the market price will determine the value of the company. The value of the company can be calculated by multiplying the share price by the number of shares outstanding. Stock prices generally fluctuate with supply and demand. Fluctuations in stock prices reflect how much investor interest in the stock of a company, so any time can undergo changes along with the interest of investors to put their money in stocks. If the market assesses that the company issuing the stock in good condition, it is usually the relevant company's share price will rise, and vice versa if the company is undervalued by the market, the company's share price also fell even lower than the price in the primary market. Thus, the bargaining power in the secondary market among investors that one with the other investors determine the price of the stock. Understanding the value and the price in the stock assessment process needs to be distinguished. Value is the intrinsic value which contains elements of the company's assets at the present time and the elements of the company's potential to raise profits in the future. Price is defined as the market value. As noted by Suad Husnan (2001: 288) that the value of a stock will affect the price.

1. If the intrinsic value is greater than the current market price, the stock is undervalued (the price is too low), and therefore should be purchased or retained when the shares were held.
2. If the intrinsic value is smaller than the current market price, the stock price is considered overvalued (too expensive), and therefore should be sold.
3. If the intrinsic value is equal to the current market price, the stock is considered a reasonable price and different in equilibrium.

2.1.6.4 Stock Price Valuation

Analysis of stock investment is fundamental to know the investors, given without good analysis and rational investors will suffer a loss. To determine the value of stocks, investors should conduct prior analysis of the existing shares in the capital market (stock exchange) in order to determine the stocks or perform a portfolio that can provide optimum return. The purpose of stock analysis is to assess whether the determination of a company's stock price is reasonable or not. The decision to buy shares occurs when the estimated value of a stock is above the market price. Instead, the decision to sell shares occurs when the estimated value of the shares at below market prices.To perform the analysis and stock picks are two basic approaches, namely technical analysis and fundamental analysis.

1. Technical Analysis

Technical analysis is an analytical technique that uses data or records of the market itself to try to access the demand and supply of a particular stock or the overall market (Sunariyah, 2004: 168). This analysis is an attempt to predict the stock price (market conditions) by observing the change in the stock price (market conditions) in the past (Suad Husnan, 2001: 349).

This analytical approach using published market data, such as stock price, trading volume, stock price index or an individual, as well as other factors that are technical. Therefore, this approach is also referred to approach market analysis or internal analysis .

The thinking underlying technical analysis by Suad Husnan (2001: 349) are:

a. That stock prices reflect the relevant information.
b. That such information is indicated by the change in price in the past.
c. Therefore changes in the stock price will have a certain pattern, and the pattern will be repeated.

Targets to be achieved in this approach is timely to predict movements in the price short-term as well as an indicator of a stock market. The technical analysis emphasizes attention and changes rather than price levels, and therefore more emphasis analysis to predict the trend of the price change.

2. Fundamental Analysis

Fundamental analysis is the study of economics, industry, and the condition of the company to take into account the value of the shares of the company. Fundamental analysis focuses on the key data in the financial statements to take into account whether the stock price has appreciated accurately.

This approach is based on an assumption that every stock has an intrinsic value. Intrinsic value is the real value (true value) of a share which is determined by several factors the company's fundamentals. Understanding intrinsic value is the value that is reflected in the fact (justified by the fact) as assets, earnings, dividends, and the prospects of the company (Sunariyah, 2004: 168). The intrinsic value is estimated by investors or analysts. Intrinsic value is a function of variables combined company to generate an expected return and the risk inherent

in such shares. The results of the estimation of intrinsic value is then compared with the current market price. The market price of a stock is a reflection of the average intrinsic value.

Fundamental analysis tries to predict the stock price in the future:

a. Mengestimate value fundamental factors that affect stock prices in the future.

b. Applying the relationship of these variables in order to obtain the estimated stock price.

In making the stock price forecasting models, an important step is to identify the fundamental factors (such as sales, sales growth, expenses, dividend policy, government policy, economic growth, profit growth, the development of interest rates, and so on) that are expected to affect the price stock. Due to the many factors that affect stock prices, then to perform fundamental analysis required several stages of analysis. In general, there are four steps to analyze the company, which calculates the overall economic conditions, industry conditions count, counting condition of the company, and calculate the value of company stock.

2.1.6.5 Factors - Factors Affecting the Price of Shares

Based on the fundamental and technical analysis, there are several factors that affect stock prices, as proposed by Alexander Z. Alwi in his book Capital Market Theory and Applications (2003: 69), namely:

Fundamental factors that affect stock prices derived from the company in the form of financial performance (the issuer) and from outside the company (such as the efficiency of capital markets, investor behavior, risk, etc.), while the technical factors that affect stock prices is demand and market supply.

The explanation of these factors are as follows:

1. Supply and Demand

In economic theory, the market price of a stock will be shaped through a process that reflects the supply and demand market forces, as described by the banner Anoraga and Piji Pakarti in his Introduction to Capital Markets (2003: 108), as follows: Stock prices are determined by supply and demand, and the analysis focuses attention on time, ie the estimated trend up or down. If offers a lot more than the demand, then the stock price will go down, and there will be a trend that is down, whereas if demand more than the stock offering, the shares will be increased, so that there will be a trend to rise.

2. Level of Capital Market Efficiency

The efficiency of the capital market is one of the indicators to determine the quality of the capital market. The higher degree of efficiency, the quality of the capital market, the better. As explained by the banner Anoraga and Piji Pakarti in his Introduction to Capital Markets (2003: 83), as follows: "The stock market is said to be efficient if the information can be obtained easily and cheaply by investors, so that all relevant and reliable information has been reflected in the stock prices. " Due to irregularities perfect information, it is impossible for any investor to obtain economic profit (reward more) obtained by manipulating specific information available to him. Because the capital markets are efficient, then the market price quickly react to new information that was not unexpected, the incident can be reflected from the market price of a stock. According to the banner Anoraga and Piji Pikarti (2003: 86) explains that theoretically efficient market must meet the following requirements:

a. There are no transaction costs.

b. Information is freely available and rapidly.

c. Investors have homogeneous expectation, and they are risk everse.

d. There are buyers and sellers in large quantities.

e. There are a number of securities that is quite a lot to diversify.

3. Level of Risk

The risk of an investment directly related to the expected results. In effect, the investor will seek to minimize the risk to obtain a certain level of results, or to maximize the results for certain risk level. According to the banner Anoraga and Piji Pikarti (2003: 73), the risk arising from various sources that are interconnected. Investors understand that there are some risks are as follows:

a. Financial risk, ie the risk accepted by investors as a result of the inability of the issuer's shares or bonds meet the obligations of payment of dividends or interest and principal.

b. Market risk, ie the risk of losses due to substantial market price of both the overall stock and certain shares due to changes in the inflation rate of the economy, financial state, changes in corporate management, or government policy.

c. Psychological risk, ie the risk for investors who act emotionally on stock price movements based on optimism and pessimism that can lead to increases and decreases in stock prices.

4. Investor Behavior
   In general it can be said that the information is useful if it can help the assessment in making investment decisions. In other words, a decision maker (investors) will make better decisions if you use the right information (the banner Anoraga and Piji Pikarti, 2003: 93). The investors who enter the capital market comes from various circles of society and many investors purpose of proficiency level. If the terms of the goal, then it can be classified into four groups, namely:
   a. Investors aim to obtain dividends
   b. Investors aim to trade
   c. Groups with an interest in ownership.
   d. Groups of speculators.

5. Financial Performance
   The financial performance of the company is regarded as the most important factor in the company's stock price changes. This is because the company's financial performance is a factor that most objective and representative enough to describe the stock price reasonable. Company performance is often measured by financial information generated in a particular episode that is reflected in the financial statements. Financial information is often used by investors to assess the price of shares and help make investment decisions.

Definition of Earning Per Share (EPS)

Investors are very necessary to know both the profitability of the company so that investors can obtain the expected return in the future. Profitability reflects the company's net profit. For investors the profitability of the company is usually expressed as earnings per share. One indicator used by investors in assessing the success of a company or a company's performance is shown by the amount of Earning Per Share (EPS) which can be produced by the company. According to Pearl Tan Hock Neo and Peter Lee Lip Nyean (2010: 570) argues about Understanding EPS:

Earning Per Share (EPS) is one of the most well-known financial ratios Among the investment community. Earning Per Share Data serves two functions play. As a measure of profitability, it indicates the net earnings attributable to ordinary call now units of share capital. Viewed simplistically, the higer the earnings per share, the better the performance and profitability of the firm is deemed to be. A second, and perhaps more important, function is that it is the denominator in the price earnings ratio, a ratio that is, Instant confirmation used by the investment community as a basis for valuation. That is, "Earnings Per Share is one of the financial ratios of the most famous among the investment community. Earning Per Share has 2 (two) main functions. First as a measure of profitability, it is to show the net income derived from each unit of ordinary share capital. That is easily seen, the higher Earning Per Share describe the performance and profitability of a company, the better. The second function, and perhaps more important is the price earnings (price earnings ratio), a ratio that is widely used by the investment community as the basis of assessment ".

Another definition by Kashmir (2010: 115-116) on Earning Per Share (EPS) is:

Ratio to measure the success of management in achieving profits for shareholders. A low ratio means that the management has not managed to satisfy shareholders, in contrast with the high ratio, hence increasing shareholder wealth in another sense, that a high rate of return.

According to Zaki Baridwan (2005: 443) Earnings per share or earning per share (EPS) is "The amount of revenue that was obtained in a period for each share outstanding". The size of the earnings per share (EPS) is influenced by changes in the variables. Any change in net income and the number of outstanding ordinary shares may lead to changes in earnings per share. Meanwhile, according to Sofyan Syafri Harahap (2008: 306) says that earnings growth is the "rate of profit growth as measured by the earning per share, which shows how much capability per share, making a profit".

3. Theoretical Framework

Effect of Return on Assets, Return on Equity, and Economic Value Added Share Price

In selecting stocks, investors expect a refund in the form of dividends and appreciation of the value of shares, where all of this can be obtained through increased income or the value of the company. In the short term, the stock value is difficult to predict because according to the nature of the market in general. But in the long term, the value of a stock price generally moves in line with the company's performance. This is because the financial investment can assess the current performance of the company and have the perception of the performance of the company in the future. The better performance of each year, this increase investor interest in the shares of the company and of course this will cause the stock price to rise. Because stock prices in the stock market is influenced by the law of supply and demand. If the demand for a stock increases, the stock price will rise, and

vice versa.

In this study, financial performance measurement is done in two ways, namely with financial ratio analysis profitability (return on assets, return on equity and Economic Value Added). According to Suad Husnan (2001: 317), if the company's ability to generate increased profits, in other words, profitability will affect stock prices. The description indicates that the stock price is influenced by the profitability of the company or the issuer itself, in which the profitability ratios including return on assets and return on equity. Meanwhile, according Eduardus Tandelilin (2001: 195) the influence of Economic Value Added with stock prices are as follows:

"Economic Value Added is a measure of the success of the company's management to increase the value added for the company. The assumption is that if the performance is good or effective management (seen from the added value given), it will be reflected in an increase in the stock price. "

The definition shows that if the difference is positive, it means that there is added value for the company, and this will usually respond by increasing the price of the stock. Likewise, if the Economic Value Added negative means that the company experienced a decline in performance, which will be responded with a decrease in the share price. In effect the company's financial performance that will either give you a return or high added value. Profit or high value-added companies will give effect to prospective investors in making the decision to conduct transactions in the shares of the company's investments.

Analysis of the value of stocks is a fundamental step that should be taken by investors before investing. Investors also need to have some information related to the dynamics of stock prices in order to make decisions about the company's shares are eligible to be selected. Valid information about the company's financial performance, corporate management, macro-economic conditions, and other relevant information is necessary to accurately assess stocks. Accurate stock assessment can minimize risk while helping investors get a reasonable profit, given the share of investment in the stock market is quite risky types of investments promising high despite the relatively large gains. Investing in the stock market at least need to pay attention to two things, the expected benefits and risks that may occur. This means investing in stocks promising advantages and risks. The prevalence is often encountered is that the greater the expected return (expected), the greater the chance of the risk occurring. Expectations to earn a larger income in the future positive effect on stock prices.

To analyze and assess the stock, there are two basic approaches, namely fundamental analysis and technical analysis (Suad Husnan, 2001: 315). Technical analysis is an attempt to predict the stock price (market conditions) by observing the change in the stock price (market conditions) in the past (Suad Husnan, 2001: 349). The thinking underlying technical analysis are: (i) that the share price reflects the relevant information, (ii) that such information is indicated by the change in price in the past, and (iii) changes in the stock price will therefore have a certain pattern, and the pattern be repeated. While fundamental analysis is the study of economics, industry, and the condition of the company to take into account the value of the shares of the company. Fundamental analysis tries to predict the stock price in the future in two ways (Suad Husnan, 2001: 315), namely: first mengestimate value fundamental factors that affect stock prices in the future; and secondly applying the relationship of these variables in order to obtain the estimated stock price. Therefore, to evaluate and forecast the stock price, the necessary information about the company's financial fundamentals. The financial statements as profit companies should be used as a primary source of information when about to perform an accurate analysis of the stock price. More specifically, that when income increases, stock prices tend to rise, whereas when income decreases the share price also decreased.

Many theoretical and empirical studies that support the claim that to the influence of fundamental factors to changes in stock prices, especially return on assets has the most dominant influence. But because each investor always expect high returns, investors need to pay more attention to Return On Equity. Because the return on equity is a measure of earnings (income) are available for the owners of the company (both holders of ordinary shares and preference shares) on the capital they invest in the company. In general, of course, the higher the return or income derived by the better position the company owner. This means that the greater the advantage enjoyed by shareholders, so the stock price would be even higher. However, after the Economic Value Added, some researchers consider the Economic Value Added has better ability than other performance such as ROE, ROA, EPS, residual income, and performance indicators other (R. Agus Sartono and Kushdianto Setiawan, 1999: 124).

Based on research conducted by Stern Stewart, Economic Value Added theoretically and empirically proven to have a high correlation with each change and the creation of value in the stock market. Due to Economic Value Added is not just seen the rate of return generated but also the risks facing the company, which is reflected by the cost of capital. In general, investors will choose the company that is able to create a rate of return that is greater than its cost of capital, so that the reaction of investors to make investments could increase the company's share price.

4. Study Model and Hypothesis

Hypothesis

Based on the above framework, the authors take the hypothesis of the study as follows:

1. There is the effect of changes in return on assets to changes in stock prices partially in companies incorporated in the LQ 45 in Indonesia Stock Exchange 2012-2013.
2. There is the effect of changes in return on equity to changes in stock prices partially in companies incorporated in the LQ 45 in Indonesia Stock Exchange 2012-2013.
3. There is the effect of changes in economic value added to the stock price changes at the company partially incorporated in the LQ 45 in Indonesia Stock Exchange 2012-2013.
4. There is the effect of changes in return on assets, return on equity, and Economic Value Added to changes in stock prices simultaneously in companies incorporated in the LQ 45 in Indonesia Stock Exchange 2012-2013.
5. There is the effect of changes in return on assets, return on equity, and Economic Value Added to changes in stock prices and their impact on earning per share simultaneously on a company incorporated in the LQ 45 in Indonesia Stock Exchange 2012-2013.

5. Methodology, Finding and Discussion

Based on the title of research undertaken by the authors, namely: "The Effects of Changes Return on Assets, Return on Equity, and Economic Value Added to stock price changes and their impact on Earning Pershare (Empirical Study On the Company Involved In LQ 45 in Indonesia Stock Exchange)" , then there are five variables, as follows:

a. Changes Return on Assets (X1), is a change in the company's ability to generate profits from assets used.
b. Changes Return On Equity (X2), is a change in the company's ability to obtain income available to shareholders of the company.
c. Changes in Economic Value Added (X3), is a change in the ability of companies providing added value to shareholders.
d. Changes in stock prices (Y) which is a change in the price of a proof of ownership of the company are traded on the stock market.
e. Changes in Earnings Per Share (Z), ie total revenue obtained in a period for each share outstanding

Population that generalization region consisting of the object / subject that has certain qualities and characteristics defined by the researchers to learn and then drawn conclusions. Population to be studied in this research are 45 companies joined in LQ 45 listed in Indonesia Stock Exchange (IDX) respectively in 2012-2013.

Samples are taken from the part of the population, so that what is learned from the sample will be applied also to the conclusion that the population is taken. The sample in this study are 18 companies belonging to the LQ 45 for two consecutive years from 2012 to 2013, in order to obtain the data 36 Return on Assets, Return on Equity 36, 36 Economic Value Added and 36 share price.

6. Conclusion

Return on assets, return on equity and economic value added affects the stock price changes and earning per share both partially and simultaneously. The theories that alteady exist about management and organization make more emphasized linkages, that the influence of Return on assets, return on equity and economic value added of the stock price changes and its impact on earnings per share. The results of the theoretical evidence from this study can be used to solve problems that occurs on the stock price changes and earnigns per share. The stoch price changes can be improved through increases in return on assets, increases return on equity and increases economic value added.

7. References

Eduardus Tandelilin, 2001, Investment Analysis and Portfolio Management, First Edition, BPFE, Yogyakarta.

Meythi, 2005, the Most Good Financial Ratios to Predict Earnings Growth: An Empirical Study on Manufacturing Companies Listed on the Jakarta Stock Exchange, Journal of Economics and Business, September, Vol. XI, No. 2, 254-271.

R. Agus Setiawan Sartono and Kusdhianto, 1999, there Effect "EVA" Against the value of the Company and the Vendor Prosperity Public Shareholders?, Journal of Economics and Business Indonesia, October, Vol. 14, No.4.

Suad Husnan, 2001, Fundamentals of Securities Portfolio Theory and Analysis, ed. Third, Prints Second, AMP YKPN, Yogyakarta.

Sutrisno, 2001, Financial Management Theory, Concepts and Applications, First Edition, Ekonisia, Yogyakarta.

The IISTE is a pioneer in the Open-Access hosting service and academic event management. The aim of the firm is Accelerating Global Knowledge Sharing.

More information about the firm can be found on the homepage:
http://www.iiste.org

CALL FOR JOURNAL PAPERS

There are more than 30 peer-reviewed academic journals hosted under the hosting platform.

Prospective authors of journals can find the submission instruction on the following page: http://www.iiste.org/journals/ All the journals articles are available online to the readers all over the world without financial, legal, or technical barriers other than those inseparable from gaining access to the internet itself. Paper version of the journals is also available upon request of readers and authors.

MORE RESOURCES

Book publication information: http://www.iiste.org/book/

Academic conference: http://www.iiste.org/conference/upcoming-conferences-call-for-paper/

IISTE Knowledge Sharing Partners

EBSCO, Index Copernicus, Ulrich's Periodicals Directory, JournalTOCS, PKP Open Archives Harvester, Bielefeld Academic Search Engine, Elektronische Zeitschriftenbibliothek EZB, Open J-Gate, OCLC WorldCat, Universe Digtial Library , NewJour, Google Scholar