Abstract: This study aimed to analyze the influence of profitability on the company's value, and determine whether this influence intervenes the value relevance of accounting information, investment opportunities and dividend policy, assuming that investors act rationally so that the fundamental aspects of the financial statements become major factor in the shares investment decision. The contribution of this research is to provide input to the management about the importance of maintaining and improving performance in order to give satisfaction to investors and provide expectations for the return on investment which can ultimately increase the company’s value. This study design is causality with the unit of analysis is the samples taken by purposive sampling technique on a population of listed companies on the IDX Kompas 100 index from 2011 - 2014. The analysis technique used is Path Analysis. The results from this study are: 1. Profitability has significant and positive influence on the company's value; 2. Profitability has no significant and positive influence on the value relevance of accounting information; 3. Profitability has negative and significant influence on investment opportunities; 4. Profitability has significant and positive influence on the dividend policy; 5. The value relevance of accounting information has significant and negative influence on the company's value; 6. The investment opportunities have no significant and positive influence on company’s value; 7. Dividend policy has no significant and positive influence on company’s value; 8. The value relevance of accounting information, investment opportunities and dividend policy have not been able to mediate the influence of profitability on company’s value.

Keywords: Profitability, value relevance of accounting information, investment opportunities, dividend policy, the company's value.

PREFACE

Scott (2009) says the concept of value relevance of accounting information explains how the investors would reach on the announcement of the accounting information contained in the financial statements. The investors' reaction will prove that the accounting information is very important in the investment decision consideration process. The faster and more actual investors get the information, the market will be more active, as reflected in the stock trading activity. Thus, stock market will be more efficient (Collins et al, 1997; Gjerde et al, 2011; Thinggaard and Damkier, 2008; Ayuningtyas and Kurnia, 2013).

The motivation of this study are, first, to re-examine the factors used by previous research that ended in contradictory result (research gap) on the influence of profitability, of accounting information value relevance, investment policy and dividend policy on...
company’s value. Several studies conducted in Europe and United States stated that since the last few decades, accounting profits have no longer provided high value relevance in the eyes of investors (Francis and Schipper, 1999; Lev and Zarowin, 1999). Meanwhile, Thinggaard and Damkier (2008) state that accounting profits still have the value relevance and is used by the investor in making an investment decision. The research was carried out in Denmark from 1983 to 2002 and was supported by (Gjerde et al, 2011; Harnovinsah and Indriani, 2015) conducted in Norway from 1965-2004 who conclude the accounting profit still strongly influences investors in making investment decisions. Several studies conducted in Indonesia also showed inconsistent results.

Subekti (2011) observe that the profitability influences the accounting information value relevance which can ultimately increase the value of the company. On the contrary, a research conducted by Stainbank and Peebles (2006) show the benefits of accounting information has no influence on stock return preferences. Fenandar and Raharja (2012), Rizkia et al (2013) examines the influence of investment decisions, dividend policy and funding policy to the company’s value and showed that investment decisions and dividend policy had positive and significant influences on company’s value. The second motivation is whether the investors act rationally in the stock investment decision i.e. by considering the fundamental aspects of the financial statements, so the the accounting information contained in the financial statements becomes the basis for decision-making, in addition to considering the company performance such as profitability, investment decisions and dividend policy or relying more on technical analysis of stock price movements. This study took a sample of companies included in the Kompas 100 index in which the performance have been screened and the market capitalization can represent 70-80% of the total capitalization of all shares traded on the Indonesia Stock Exchange (IDX).

This study assumes that investors are rational, so that the fundamental analysis of financial statements becomes the primary basic valuation. This is because the stock price reflects the company’s value, not only reflects the intrinsic value at a certain time, but also the expectation of the company’s ability to increase the value in the future. As for the purposes of this study, are (1) to analyze the influence of profitability on the relevance of accounting information value, investment opportunities and dividend policy and its implications for the company’s value, and (2) to determine the securities analyst behavior on IDX in giving the stock investment options, whether by acting rationally on the basis of fundamental analysis of financial statements or by relying more on technical analysis of stock price movements.

**THEORETICAL REVIEW**

**Hypothesis Development. Profitability - Company’s Value Relation.** The previous research on the profitability of the company’s value has been carried out by Chowdhury and Chowdbury (2010) the effect of profitability on the value of the company as reflected by the stock price, by taking samples of banking companies listed in Indonesia Stock Exchange in 2005-2007. His research found that partially or simultaneously, profitability significantly influences the company's value. Based on this results, it can be concluded that the company's performance can be assessed on the company's ability to generate profitability. The company's profitability is an indicator of abilities of a company in meeting the expectations of the owners and serves as an element in the creation of the company’s value that demonstrate the company’s prospects. Chowdbury and
Chowdbury (2010) research result was supported by Sartono (2008), Pathirawasam (2010), Chen and Chen (2011), Indra Kesuma et al. (2012), Harnovinsah and Indriani (2015).

**H1**: Profitability will increase the company’s value.

**Profitability - Accounting Value Relation.** Previous studies conducted by Ball and Brown (1968) begin the research on the use of accounting information in form of profitability as a consideration in the decision. The results of these studies supported the hypothesis that the profitability contains the information about the company's value. Companies that have a good and stable profitability will increase the relevance of information value. Research conducted by Collins et al. (1997), Gordon and Iyengar (1996), Echeverria (1997), Kim (2001), Li (2004), Fama and French (2006) and Jiang et al. (2006), show that the gradually-increasing profitability is the relevant information to be used as the basis of investors’ expectations in the future. Meanwhile, Thinggaard and Damkier (2008) state accounting profit still have value relevance and is used by the investor in making an investment decision, the research carried out in Denmark during 1983 to 2002 and is supported by Gjerde et al. (2011) research stating that the accounting profit still strongly influences investors in making investment decisions. The research was conducted in Norway from 1965-2004.

Research conducted by Shamki & Rahman (2012), examine the profitability value individually and simultaneously by using price models and return model. The research found that the profitability influences of value relevance, thus making it important in explaining the variance in the stock price. Based on these results, the second hypothesis is as follows:

**H2**: Profitability will improve the value relevance of accounting information

**Profitability - Investment Decision Relation.** The larger the company, the greater the funds used to execute operations or to invest (Solih and Taswan, 2002). One of the company's internal financing sources for investment is the profit generated from operating activities. High profitability or the company's ability to obtain large profits will allow the company to use such profits as investment purposes (Farsio et al., 2004; Azhagaiah and Priya, 2008; Sajid et al., 2016). According to Pecking Order Theory, the financial manager will use the profits first for investing activities in accordance with priorities, and in case profits are not sufficient, the company may seek debt from third parties (Waluyo and Ka'aro, 2002). Based on the statements and the research results, the third hypothesis are concluded as follow:

**H3**: Profitability positively and significantly influences investment decisions.

**Profitability - Dividend Policy Relation.** The purpose of the investors to invest their funds in a company is to get a rate of return in the form of dividends or capital gains. Dividend policy is the company policy related to dividend payments to shareholders in which the condition depends on the company's profitability (Riyanto, 2001: 265). Sudjoko and Soebiantoro (2007) explains that the high profitability will show good prospects of a company, especially in the dividend payment to shareholders. Thus, investors will respond positively to this and ultimately increasing the company's value. Andriyani (2008) and Alfaredo (2011) found that the the profitability has significant positive influence on
dividend policy. Based on the statements and the research results, the fourth hypothesis are concluded as follow:

\[ H_4 = \text{Profitability positively and significantly influence dividend policy} \]

**Value Relevance of Accounting Information - Company’s Value Relation.** One of the objectives of financial statement analysis is to assess the value of the company (Beaver et al 1980). Many accounting empirical researches have been trying to find the value relevance of accounting information in order to enhance financial statement analysis. Accounting information is predicted to have this value relevance, as accounting information is statistically related to the stock market value. Ayzer and Cema (2013) defines the value relevance of accounting information as the ability to explain (explanatory power) the value of a company based on accounting information. Value relevance is directed to investigate the empirical relationship between stock market values with various accounting figures that are intended to assess the benefits of accounting figures in the fundamental assessment of a company (Zarah, 2012). Abiodun (2012) examines the reaction of the trade volume, which is empirically explained how investor will react to earnings announcements and the stock price. Vijltha and Nimalathasan (2014) study the value relevance of accounting information in the Colombo Stock Exchange. The study find significant association of Earnings Per Share, Net Asset Value Per Share and Return On Equity, with share prices of listed firms on the Exchange. Biesland (2008) defines value relevance as the ability of financial statement information to capture and summarize information that determines firm value. The research results prove that the accounting information is very important and taken into consideration in the investment decision consideration. The more relevant an accounting information, the more confident the investor to determine their investment choices will be and will result in rising stock prices. Based on above description, the fifth hypothesis is as follow:

\[ H_5 : \text{The value relevance of accounting information significantly and positively influence the company’s value} \]

**Investment Decision - Company’s Value Relation.** In global competition, the companies involved in a competitive market environment will face a dead-tight competition. Any change in technology and information system can alter the competition. In facing such situation, the investment may turn out to be different from what was planned and this is reflected in economic conditions and the company's financial condition during a specific time period. In this scenario, and from the company standpoint, the investment decisions are made for the purpose of adding the company’s value by gaining profit and positive cash flow. As from the shareholders standpoint, profits and positive cash flow should be reflected in the stock price (Damodaran, 2010; Biddle et al, 2009; Cutillas and Sánchez, 2012).

A company which has done a lot of investment can create a positive sentiment for investors and may increase the company's stock price which will eventually increase the company’s value (Sudjoko and Soebiantoro, 2007; McConnell and Muscarella, 1985; Titman et al, 2004; Fama and French, 2006; Hao et al, 2011). Thus, the company with the ability to take advantage of investment opportunities is extremely good news for investors and can boost the share price, which in turn will affect the company’s value. Based on the statements and the research results, the sixth hypothesis is concluded as follow:

\[ H_6 = \text{investment decision positively and significantly influence the company’s value} \]
Dividend Policy - Company's value Relation. Dividend policy is related to corporate policies in terms of how much the dividend will be paid to shareholders from the percentage of earnings. Dividend payment will reflect positive cues on the company's performance for investors. If the company has a stable dividend payout ratio, or even increase, it may have positive sentiment for investors and will eventually improve the company's stock price (Stulz, 2000; Pandey, 2003; DeAngelo et al., 2006; Sujoko and Soebiantoro, 2007). The increased stock price will increase the company's value, as it is reflected on the share price to book value ratio (Howatt et al., 2009; Fakruddin and Hadianto, 2011). Sujoko and Soebiantoro, (2007), and Al-haddad et al. (2011) found evidence that the dividend policy has a significant positive influence on company's value. Based on the statements and the research results, the seventh hypothesis is concluded as follows:

\[ \text{H}_7 = \text{dividend policy significantly and positively influence company's value} \]

The Relationship between Profitability on Company's Value with the Value Relevance of Accounting Information, Investment Decisions and Dividend Policy as Intervening Variable. The company that manages to obtain large earnings, in which the which the finance manager can manage that profit through the right financial decision, either by good investment decision implementation or dividend policy and provide the actual information that is relevant to the description of the company's performance, it will be responded positively by investors and will later increase the company's value (Wahyudi and Pawestri, 2006). The statement was supported by Sujoko and Soebiantoro (2007), Harnovinsah (2011), Liu and Liu (2012) which state that high profitability reflects good company prospect, so investors will respond positively to this, thus ultimately increasing the company's value through increased stock price. Soliha and Taswan (2002), Pathirawasm (2010), Chen and Chen (2011), Sambora et al. (2012), Harnovinsah and Indriani (2015), proved that profitability has a significant positive effect on company value. Based on the statements and the research results, the eighth hypothesis is concluded as follows:

\[ \text{H}_8 = \text{Profitability positively influence the company's value which is intervened by the value relevance of accounting information, investment decisions and dividend policy.} \]

RESEARCH METHODS

Research Population and Sample. The research population are companies listed on Kompas 100 index from 2011 to 2014. The period selection is backed with the significant increase in Jakarta Composite Index at that time. As for the sample, this research uses purposive sampling with criteria of: (1) The company consistently listed on Kompas 100 index in 2011-2014; (2) had positive earnings in the year of observation; (3) distributed dividends in the year of observation; (4) increased its assets in the year of observation; (5) had PBV with a scale ratio greater than one. Based on these criteria, 31 companies are selected for this research.

Operational Definition and Variables Measurement. Profitability is the ability of a company to gain profits. The measurement of profitability is derived from net profit earned (internal funding sources) divided by total investment (ROI) of the company in form of current assets and fixed assets. The ROI formula used is:
The Value Relevance of Accounting Information, is the figure presented by accounting and has the ability to influence the decision-making process. Value relevance serves as the earnings capacity in explaining the variation in returns. Value relevance variable is measured with surprises earnings the which is the accounting net profit (after extraordinary) of a company in a specific period deduced by profits in previous period then divided by the absolute value of profits in the previous period. Random walk model for surprise profit can be measured as follows (Lako, 2005): 

\[ LBKit = \frac{LBit - LB(it-1)}{|LB(it-1)|} \]

Investment Decision is a combination of assets owned with the investment options in the future and positive net present value. Investment Opportunity Set (IOS) cannot be observed directly, thus the calculations uses proxy. According to Hasnawati (2005) research, investment-based IOS proxy shows a high level of activity:

\[ Investment\ Opportunity\ Set\ (IOS) = \frac{assets\ growth}{total\ assets} \]

Dividend Policy is the decision about how much profit to be paid out as dividends rather than retained to be reinvested in the company (Bambang&Elen, 2010). Dividend policy in this research is confirmed in form of Dividend Payout Ratio (DPR). According to Brigham and Houston (2012), the dividend payout ratio is the percentage of profit paid out to shareholders in cash.

\[ Dividend\ Payout\ Ratio = \frac{Dividend\ per\ share}{Profit\ per\ share} \]

Company’s Value is the ratio between the market price per share to book value per share. The company’s value in this research is proxied by Price Book Value (PBV). In this study, the ratio between stock market value and the stock book value is the comparison of a value greater than 1, so the variables under research really illustrate the influence. The formula used to measure these values is:

\[ Price\ book\ value = \frac{stock\ market\ value}{stock\ book\ value} \]

Hypothesis Testing. Statistical test (t test) is used to answer whether the proposed hypothesis is accepted or rejected as well as to find out how high the influence of each exogenous variables on endogenous variables is by referring to the coefficient value of each variable. The proposed regression equation is:

RESULT AND DISCUSSION

1. Partial testing (t test)
   a. The regression equation I: 
   \[ PBV = \alpha_1 + \beta_1ROI + \beta_2LBK + \beta_3IOS + \beta_4DPR + \varepsilon_1 \]
   is used to describe H1, H5, H6 and H7, with the following results:
Table 1. Regression Equation 1 Testing

<table>
<thead>
<tr>
<th>Coefficients</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>B</td>
<td>B</td>
<td>Std.Error</td>
<td>beta</td>
<td></td>
</tr>
<tr>
<td>93.659 (Constant)</td>
<td>4.</td>
<td>4.</td>
<td>2.</td>
<td>.4</td>
</tr>
<tr>
<td>93.452 ROI</td>
<td>4.</td>
<td>4.</td>
<td>4.</td>
<td>.4</td>
</tr>
<tr>
<td>.429 LBK</td>
<td>4.</td>
<td>4.</td>
<td>4.</td>
<td>.a</td>
</tr>
<tr>
<td>.845 IOS</td>
<td>4.</td>
<td>4.</td>
<td>4.</td>
<td>.a</td>
</tr>
<tr>
<td>.854 DPR</td>
<td>4.</td>
<td>4.</td>
<td>4.</td>
<td>.a</td>
</tr>
</tbody>
</table>

a. Dependent Variable: PBV

b. The regression equation II: LBK = α2 + β2 ROI + ε2, is used to describe H2, based on the results of statistical data processing, the sig value and standardized coefficients are:

Table 2. Regression Equation 2 Testing

<table>
<thead>
<tr>
<th>Coefficients</th>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>B</td>
<td>B</td>
<td>Std.error</td>
<td>beta</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>25.53</td>
<td>9.216</td>
<td>2.77</td>
<td>.006</td>
<td></td>
</tr>
<tr>
<td>ROI</td>
<td>.979</td>
<td>4.305</td>
<td>.021</td>
<td>.227</td>
<td>.820</td>
</tr>
</tbody>
</table>

a. Dependent Variable: LBK

c. The regression equation III: IOS = α3 + β3 ROI + ε3, is used to describe H3.

Table 3. Regression Equation 3 Testing

<table>
<thead>
<tr>
<th>Coefficients</th>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>B</td>
<td>B</td>
<td>Std. Error</td>
<td>beta</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>21.753</td>
<td>3.705</td>
<td>5.87</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>ln_ROI</td>
<td>-.179</td>
<td>1.731</td>
<td>-.009</td>
<td>-1.03</td>
<td>.918</td>
</tr>
</tbody>
</table>

a. Dependent Variable: IOS

d. The regression equation IV: DPR = α4 + β4 ROI + ε4, is used to describe H4.

Table 4. Regression Equation 4 Testing

<table>
<thead>
<tr>
<th>Coefficients</th>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>B</td>
<td>B</td>
<td>Std. Error</td>
<td>beta</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>21.306</td>
<td>4.123</td>
<td>5.168</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>ln_ROI</td>
<td>5.938</td>
<td>1.927</td>
<td>.269</td>
<td>3.082</td>
<td>.003</td>
</tr>
</tbody>
</table>

a. Dependent Variable: DPR

1. Hypothesis I: Profitability significantly and positively influence the company’s value.
From the data processing presented in Table 1, the obtained data are sig = 0.000 or <0.05 and influence coefficient of 0.515. Hence, it can be concluded that H1 is **accepted**, the profitability significantly and positively influences the company’s value.

2. **Hypothesis II:** Profitability significantly and positively influence the value relevance of accounting information.
   From the data processing presented in Table 2, the obtained data are sig = 0.820 or sig>0.05 and influence coefficient of 0.021. Hence, it can be concluded that H2 is rejected, the profitability negatively and does not significantly influence the value relevance of accounting information.

3. **Hypothesis III:** Profitability significantly and positively influences investment opportunities
   From the data processing presented in Table 3, the obtained data are sig = 0.918 or sig>0.05 and influence coefficient = -0.103. Hence, it can be concluded that H3 is rejected, the profitability negatively and does not significantly influence the investment opportunity.

4. **Hypothesis IV:** Profitability significantly and positively influence dividend policy
   The test result shows the sig value of 0.03 or sig<0.05 and the influence coefficient of 0.269. Hence, it can be concluded that H4 is accepted, the profitability significantly and positively influence dividend policy.

5. **Hypothesis V:** Value relevance of accounting information significantly and positively influences company’s value.
   The test result shows the sig value of 0.166 or sig>0.05 and the influence coefficient of -0.113. Hence, it can be concluded that H5 is rejected, the profitability negatively and does not significantly influence company's value.

6. **Hypothesis VI:** Investment opportunities significantly and positively influence company’s value.
   The test result shows the sig value of 0.264 or sig>0.05 and the influence coefficient of 0.089. Hence, it can be concluded that H6 is rejected, the investment opportunity negatively and does not significantly influence company's value.

7. **Hypothesis VII:** Dividend policy significantly and positively influence the company’s value.
   The test result shows the sig value of 0.203 or sig>0.05 and the influence coefficient of 0.104. Hence, it can be concluded that H7 is rejected, the dividend policy negatively and does not significantly influence company's value.

![Figure 1. Path Coefficient Value](image-url)
By using path analysis, we can identify which variables are able to mediate the profitability influence to company’s value by comparing the direct coefficient to path coefficient value (indirect coefficient) in which each variable went through (Ghozali, 2013), such as follows:

1. **Profitability → Value Relevance of Accounting Information → Company’s Value**
   
   Based on the statistical test results, the direct influence of profitability on the company’s value is significant positive with coefficient \((β_1)\) of 0.515. Meanwhile, the influence of profitability on the value relevance of accounting information is insignificant positive with coefficient \((β_2)\) of 0.021 and the influence of value relevance of accounting information to the company's value is insignificant negative with coefficient \((β_3)\) of -0.113. The multiplication of \((β_2, β_3)\) equals to -0.0002 (indirect influence coefficient) or smaller than \((β_1)\) value. As \((β_2, β_3) < (β_1)\) or -0.0002 < 0.515, the value relevance of accounting information is not an intervening variable in supporting the profitability influence on company's value.

2. **Profitability → Investment Opportunities → Company’s Values**
   
   Indirect influence on the profitability to company's value through investment opportunities can be determined by multiplying the path coefficient \((β_3)\) which is the coefficient of profitability influence on the investment opportunity with \((β_6)\) which is the coefficient of investment opportunities influence on company's value \((β_3, β_6) = (-0.009 \times 0.089) = -0.0008\). As \((β_3, β_6) < (β_1)\) or -0.0008 < 0.515, the investment opportunity is not an intervening variable in supporting the profitability influence on company's value.

3. **Profitability → Dividend Policy → Company’s Values**
   
   Indirect effect on the profitability on the company's value through dividend policy can be determined by multiplying the path coefficient \((β_4)\) which is the coefficient of profitability influence on the dividend policy with \((β_7)\) which is the coefficient of dividend policy influence on company’s value \((β_4, β_7) = (0.269 \times 0.104) = 0.028\). As the value of \((β_4, β_7) < (β_1)\) or 0.028 < 0.515, the dividend policy is not an intervening variable in supporting the profitability influence on company's value.

   The sum of the path regression coefficient (indirect coefficient) from each variable \((β_2, β_3, β_5, β_6, β_4, β_7)\) is equal to 0.0675, smaller than the coefficient of direct influence at 0.515. From the comparison of direct influence coefficient with indirect influence, it is proven that profitability significantly influences the company’s value but is not mediated by the value relevance of accounting information, investment opportunities, and dividend policy. Hence, it concludes that H8 is rejected, which means the value relevance of accounting information, investment decision, and dividend policy are not intervening variables in supporting the influence of profitability on the company’s value.

**DISCUSSION OF RESULTS**

Based on research conducted on H1 - H7 testing, the result shows that several hypotheses are accepted, while several others are rejected. The discussion of each hypothesis is as follows:

Profitability is a measure of the company's performance that are considered by investors as a major factor in measuring the return on investment. It can be identified from the ROI which is likely to be stable, or even improving. The increase in ROI also increases
the the rate of investment return. Meanwhile, a high profitability shows good company's performance and prospects. The results of this study prove that profitability (ROI) has significant and positive influence on company's value (PBV). The significant and positive influence of profitability on the company's value can be made possible due to positive sentiment of market participants (investors) to buy the shares, as investors see an increase in net profit throughout the years of observation, perceiving that that companies listed on Kompas 100 have good performance. This research is in line with the signalling theory concept which states that when investors receive the good news about the performance of a company, they will react by buying the shares. The more investors are interested in, the higher the stock price will be, and rising stock prices also increase the company's value as well. The results of this study supports the previous researches by Sudjoko and Soebiantoro (2007), Dwi and Kurnia (2013), and Harnovinsah and Indriani (2015) who also found that profitability has significant and positive influence on company's value.

The company's value is the perception of investors in assessing the securities price fairness represented by the stock price, in which the stock price is the final decision made by the investor on the basis of the information they receive. This research proves that the value relevance of accounting information proxied by surprise net profit has insignificant and negative influence on company's value. The existence of a significant negative influence not possible because there are few companies decreased net profit value that surprises profit growth compared with the previous year's profit declines, earnings surprises impairment information is slightly affect the psychology of investors in selecting stock purchase.

From the results of this research, we can also conclude that in making decision to buy stocks, investors rely more on technical factors of stock prices movement prediction in the capital market that the fundamental analysis of financial statements. This is possible because shares in Kompas 100 index are active companies in which the shares are actively traded on the Indonesia Stock Exchange at any time, so investors need fast information that it can only be obtained from technical analysis. The result of this research is consistent with research conducted by Ponziani and Sukartini (2008) which states for the Indonesian capital market, the value relevance of accounting information has decreased over time due to changes in responses of market participants to the accounting information, while they tend to use alternative information in the company assessment.

The testing using path analysis indicates that, value relevance of accounting information, investment opportunities and dividend policy cannot serve as intervening variable in supporting influence of profitability on the company’s value. This is because the company's profitability information contained in the financial statement is considered to represent the entire financial information needed by investors in order to measure the return on investment and assess the risk/loss that might occur. Investors have no longer depended on to how the profits are allocated and managed. These results prove that the company's ability to generate profits is responded positively by investors.

CONCLUSION

Based on the research, there are some interesting findings such as: only profitability that has significant influence the company’s value. This means that investors assess the profitability generated by the company is the most important factor in determining the rate
of return on the investment. Hence, investors assess that the profitability generated by the company is a measure in assessing how good or bad the company’s performance is.

Value relevance of accounting information has yet to influence the company's value significantly, as this is possibly because the stock trading transaction is done at all time so that the fundamental analysis of financial statements has not been fully used by investors. They prefer technical analysis, for example: the stock price movement factor, stock price trend analysis, and trading volume. They believe, though the technical analysis error rate is higher than the fundamental analysis, the stock technical analysis can be equally powerful with fundamental analysis if it’s used properly with the right tool. Moreover, technical analysis is considered faster in providing conclusions whether to buy, hold or sell stock.

Value relevance of accounting information, investment opportunities and dividend policy cannot serve as intervening variables in the supporting profitability influence on the company’s value, as the company’s profitability information contained in the financial statement are considered to represent the entire financial information needed by investors in order to measure the return on investment and assess the risk/loss that might occur. Indonesian capital market conditions can be said inefficient, as the influence of value relevance of accounting information contained in the financial statements has yet to fully capable of influencing investors in making stock investment decision.

The securities analyst behavior in the Indonesian capital market is unsophisticated because they tend to bandwagon in the stock recommendation, base on rumors, and so on, so that the fundamental analysis of financial statements are not used as a subject of research and analysis in the investment decision. Companies have to continuously improve their financial performance, especially in terms of profitability, so the stocks sold in the capital markets remain attractive to investors. Companies should also create the right policy in conducting their activities in order to build a good brand image for stakeholders that can ultimately enhance the company’s value.

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