ABSTRACT

Investment in the public sector has a fairly high risk because of the investments made must be based on rational considerations having previously obtained a variety of indispensable information for decision making. Shares of an investment are much in demand by investors, there are many factors that affect the stock of which is the price earnings ratio (PER) and return on equity (ROE). Research purposes to determine the effect of price earnings ratio (PER) and return on equity (ROE) on stock prices simultaneously and partial.

The method used in this research is descriptive method with quantitative approach and verifikatif. The population in this study is the 2005-2010 financial year or for 6 years from all mining companies listed on the Indonesia Stock Exchange as many as 31 companies. The sample in this study six companies from the banking sector. Statistical test used is the calculation of Pearson correlation, multiple regression analysis, coefficient of determination, hypothesis testing, and also using the program SPSS 18.0 for windows application as a tool of analysis.

The study states that the simultaneous price earnings ratio and return on equity have a significant effect on stock prices. The results show that partial price earnings ratio and return on equity have a significant effect on stock prices.

Keyword: Price Earning Ratio, Return on Equity and Stock Price