Fundamental Analysis to Access the Fair Value Based on Price Earning Ratio (PER) and Dividend Discount Model (DDM) Approach as the basis for Investment Decision Making (A Study on the Insurance Sub Sector Listing in Indonesia Stock Exchange Period 2013-2015)

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Abstract

This research aims to give explanation to assess and determine the reasonableness stock price of comparing fair value with market price. Assessing the reasonableness of stock price by Price Earning Ratio and Dividend Discount Model approaches in insurance companies listed in Indonesia Stock Exchange 2013-2015 to make investment decision. The research use descriptive research with quantitative approach. The population in this study is 12 insurance companies and the sampling technique is purposive sampling which 7 companies taken as sample with ticker stock code ABDA, AMAG, ASBI, ASDM, LPGI, MREI, ASRM. Fundamental ratio used in this research is Return On Equity (ROE), Earning Per Share (EPS), Dividend Per Share (DPS), and Dividend Payout Ratio (DPR). The result of this research showed one company that the price of its share which are undervalued and six companies that the price of overvalued condition when it measured with Price Earning Ratio method. Beside that comparing final result by using Dividend Discount Model showed that three companies is an undervalued position and four companies is an overvalued position. The decision that can be taken by investor based on undervalued condition is to buy or hold the shares whereas overvalued condition is to sell.

Keywords: fundamental analysis, Fair value, Investment Decisions

I. Introduction

The condition of Indonesia Stock Exchange is part of financial market that depend on the stability of financial system in Indonesia. Stable economy will have a positive impact on companies that have listed their stock in secondary market. In 2014 the number of companies that have been listed in the Indonesia Stock Exchange as many as 509 public. While public companies are listed in 2015 about 531 in 2015. Competition sectors the same companies will push the management effort to improve financial performance. Therefore Those companies contribute to value of firms. One of the components to assess value of firms is stock price.

Stock is one part of financial instruments which was traded in capital market. Providing most instrument traded included long term investment, investors are be able to select financial instrument. When Investors were investing their fund they had to consider rate of return and risk for yield. Because investment income will be received in future. The factors of affecting rate of return is economic condition of country and financial performance of firm. One of the ways to minimize risks by assessing the stock price. The aim of assessment is to understand decision making to buuy, sell or hold the stock.
The technique used in stock assessment is Fundamental analysis. Fundamental analysis is comparing fair value of share with market price traded in secondary market. Fair value is influenced by fundamental factors of companies (Halim, 2005: 21). Technical analysis is influenced by supply and demand of shares traded in the secondary market or Indonesia stock exchange (Halim, 2005: 29). Dividend Discounted Model (DDM) and Price Earning Ratio Approach are part of fundamental analysis method for comparing fair value or intrinsic value with market price.

There are nine sectors that can be selected by the investor to invest in the capital market with a number of 528 companies that have listed on secondary market (IDX Quarterly Statistics, 2015) including: agriculture, mining, chemical and basic industry, various industries, consumer goods industry, property, real estate and construction, utilities and transport infrastructure, finance and trade, services and investment. This study tries to apply the PER and DDM approach in the financial sector. The financial sector is the most interested by investors, this is evidenced from statistics published by the website Indonesia Stock Exchange namely www.idx.co.id. Total net sales financial sector in 2013 reached 290,098,328 million rupiah meanwhile in 2014 net sale increased reach 314,222,143 million rupiah and in 2015 as many as 333,729,991 million rupiah. The following of increasing increased two years ago which implied higher than previous year. Insurance companies is one of the financial sub sectors that changed. Insurance companies had occured the lowest Price Earning Ratio (PER) for 2 years in 2013 and 2014. Comparison six sub sector in finance, they are: bank, financial institution, securities company, insurance, investment fund or mutual fund and others. In 2013 PER of 9.71 in 2014 PER of 11.53, while in 2015 the third highest PER of 14.12. Although the lowest PER insurance sub sector has a positive value growth during 2014 to 2015.

Based on the description above, researcher interested in conducing researc to assess the fair value of share in sub sector insurance by the title “Fundamental Analysis to assess the Fair Value Based on Price Earning Ratio (PER) and Dividend Discount Model (DDM) Approach as the basis for Investment Decision Making (A Study on the Insurance Sub Sector Listing in Indonesia Stock Exchange Period 2013-2015)”.

II. Theoretical Framework

Capital Market

Capital market also called secondary market trading financial instrument such as: stock, bond, derivatives, in Indonesia capital market consists of equity markets or the stock market and long-term debt maturity (Moechdie & Ramelan, 2012: 26). The capital market is a meeting between the parties that need funds from reducing securities (Tandelilin, 2010: 26). Irving Fisher (in Asri, 2013: 36) indicates that both parties need funds and excess funds can be taken advantage the capital market for the prosperity of their respective interests through increased utilitas funds.

Fundamental Analysis
Fundamental analysis is one of stock assessment approaches for calculating stock price. Looking for fair value of shares are able to do two ways: The first, estimating the value of the fundamental factors that influencing stock prices in the future; the second applying the relationship of these variables in order to obtain the estimated stock price (Husnan, 2001: 315). Fundamental analysis calculate the intrinsic value of stocks using financial data (Hartono, 2012: 189). Price Earning Ratio (PER) and Dividend Discounted Model (DDM) are valuation model to determine the fair value of shares. Investor analyze the stock aim to knowing whether the stock price so high or low through fundamental and technical approach. They will make decision to buy, sell or hold stock. Fundamental approach influenced by the industrial sector companies, macro economy and attributed to fundamental factors that influence (Halim, 2005: 5).Fundamental analysis states that stock has an intrinsic value or fair value. Intrinsic value is influenced by stock price nowthat stock price also is influenced by performance of company. According to Francis (1986: 464) "If the stock price did not flunctuate efficiently with Reviews their intrinsic value, fundamental analysis would be an unprofitable activity, that is why should an investor bother to estimate a stock's intrinsic value if the stock's market price fluctuates inefficiently away from its value? ".

**Fair value**

Intrinsic value is market prices that reflect fair value of the company. Two kinds of approaches to calculate the intrinsic value of a stock is the present value approach and Price Earning Ratio approach (Hartono, 2012: 188).

**Dividend Discounted Model (DDM)**

Dividends are cash flows received by investors in the future. DDM is a model to calculate intrinsic value of the stock by discounting future dividend flows to present value (Hartono, 2012: 192).

Dividend Discount Model

\[
P_0 = \frac{D_1}{(1 + k)} + \frac{D_2}{(1 + k)^2} + \frac{D_3}{(1 + k)^3} + ... + \frac{D_\infty}{(1 + k)^\infty}
\]

Sumber: (Hartono, 2012:191).

Zero Growth Model

\[
P_0 = \frac{D_0}{k}
\]

Sumber: (Hartono, 2012:193)

Constant Growth Model

\[
P_0 = \frac{D_0 (1 + g)}{(k - g)}
\]

source: (Hartono, 2012:195)

DDM approach states that stock prices is influenced by three main factors: the annual dividend, dividend growth and the required rate of return through this analysis is demand can estimate the amount of return that would be received in the future (Dewi et al, 2014: 4). "The dividend discount models represents a formal notation for the statement that its share price depend on expected return, but this not sufficient to the make the statement testable. To provide a level between the expected values and real values of a model of equilibrium is required "(Olweny, 2011: 7).

According to Francis (1991:455) said that “The logic of the dividend model is undeniable, cash dividends are the only income from a share of stock which is
held forever. Therefore, the value of a share of stock held to perpetuity can only be the present value of its stream of cash dividends from now until perpetuity”. Valuation process Dividend Discounted Model with constant growth model. Constant Growth Model is growth (g) we will apply the model the valuation sub sector insurance which estimated the first period $D_0(1+g)$ then the second period $D_0(1+g)(1+g)$ or $D_0(1+g)^2$ (Hartono, 2012: 194). Constant growth rate is modest simplification of reality, it can be change easily that (g) does not change is made merely to simply the mathematic (Francis, 1991:465). Finally, If we use this model to analyze fair value through the following steps.

a) Dividend Growth Rate
$$g = \frac{D_n - D_0}{D_0}$$
Where:
- $g$ = the constant growth of dividend
- $D_n$ = the dividend payment in the previous period
- $D_0$ = the dividend payment in the current period.

Source: Tandelilin (2010: 376)

b) Dividend Estimate
$$D_t = D_0(1 + \bar{g})$$
Where:
- $D_t$ = Dividend Estimate
- $D_0$ = the dividend payment in the current period.
- $\bar{g}$ = Average rate of growth in earning

Source: Tandelilin (2010: 376)

c) Required Rate of Return
$$k = \frac{D}{P} + \bar{g}$$
Where:
- $k$ = appropriate discount rate at time $t$
- $D_t$ = actual dividend of security at period $t$
- $P_t$ = market price of a security at period $t$
- $\bar{g}$ = Average rate of growth in earning

Source: financial Analysis Journal (in Dewi et al, 2014: 4)

d) The assessment fair value is using DDM approach
$$P_0 = \frac{D_t}{k - \bar{g}}$$
Where:
- $P_0$ = Fair Value or Intrinsic Value of security at period $t$
- $D_t$ = Dividend Estimate
- $k$ = appropriate discount rate at time
- $\bar{g}$ = Average rate of growth in earning

Source: Tandelilin (2010:308)

This model suggest that the parameters to be estimated are: (1) the expected growth rate of dividend (2) estimating dividend (3) the required rate of return. Olweny (2011:12) implies that “...the prices of shares do not depend on dividends, this supports the widely accepted views within the academic community that it is not the firm’s dividend policy determines the value of the share, but also other critical variables like earning power of the company”.

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**Price Earning Ratio (PER)**

Price Earning Ratio (PER) approach is often used to estimate the intrinsic value or fair value of the stock. PER is calculated from number of times (multiplier) earning that can be seen from the stock price (Tandelilin, 2010: 320). This ratio portray the willingness of investors to pay a certain amount every rupiah of profit companies (Halim, 2005: 27). Therefore to estimate PER approach, you need to estimate in both the Earning Per Share (EPS) and the Price Earning Ratio. After that, technique to determine fair value is calculated by multiply estimated EPS with estimated PER. Ling & Kok argued (in Mayur, 2015: 54) "... PER was more accurate in predicting the stock value as compare to the dividend growth model". According to Cheng & Namara (2000: 366) imply in his research "the PER method is a better PBV valuation approach than the method, it loses its comparative advantages for firms in high- (NOF) or Number of Firm industries (NOF) portfolio has an average of 5 Approximately 50 firms) ". PER can be calculated by the following steps.

\[
\text{PER} = \frac{P_0}{\text{EPS}_1}
\]

Where:

- \(P_0\) : the stock price is worth buying
- \(\text{EPS}_1\) : Earning per share of a security at period \(t\)

\[
\text{EPS} = \frac{\text{Earning After Tax}}{\text{the number of shares}}
\]

Source: (Halim, 2005:27)

Factors used to determine Expected PER as follows.

a) *expected earning growth (g)*

\[
g = \text{ROE} \times b
\]

Where:

- \(\text{ROE}\) : *Return on Equity*
- \(b\) : Retention Rate (1 - Dividend Payout Ratio)

Source : (Jones, 2009:425)

Estimating \((g)\) we will consider about any factors in the expected growth rate such as: 1) the proportion of earning retained and reinvest by firm or it’s mean retention rate \((b)\) providing, Factors are able to influence directly rate of return on investment (ROE). According to (Brown, 2011:362) “ An increase in either or both of these variables causes an increase in the expected growth rate \((g)\) and an increase in the earning multiplier”.

b) *Estimating Earnings Per Share (EPS)*

\[
\frac{\text{DPS estimate}}{E_1} = 1 - \text{Dividend Payout Ratio}
\]

Source : (Tambunan, 2007: 248)

c) *Estimating Cash Dividend Per Share (DPS)*

\[
D_1 = D_0(1+g)
\]

Where:

- \(D_1\) : \(\text{DPS estimate}\)
- \(D_0\) : DPS in previous year
- \(g\) : *expected earnings growth*


d) Required Rate of Return on Stock
\[ k = \frac{D_1}{P_0} + g \]

Where:
- \( D_1 \) = Dividend Estimate
- \( P_0 \) = market price security at previous period
- \( g \) = expected earnings growth
- \( k \) = Required Rate of Return

Source: (Brigham & Houston, 2010:394)

e) The estimated Price Earning Ratio

\[ \text{PER} = \frac{D_1/E_1}{k - g} \]

Where:
- \( D_1 \) = Dividend Estimate
- \( E_1 \) = EPS Estimated
- \( k \) = Required Rate of Return
- \( g \) = expected earnings growth

Source: (Tandelilin, 2010:376)
f) Calculating fair value of stock

Fair value = EPS Estimated x PER Estimated

Source: (Tandelilin, 2010:376)

Mayur (2015:63) argued that”...price will increase and subsequent yields will decline in response to an increase in the PER ratio. But the prediction only works for blue-chip firms or firms with high market capitalization”. As far as the sample of companies aren’t include blue-chip firms.

**Theory of Valuation**

“ To convert this estimated stream of return to a value security, you must discount this stream at your required rate of return. This process of valuation requires estimates of: (1) the stream of expected return and (2) the required rate of return on the investment” (Brown, 2011:315).

**Investment Decisions (The theory of financial Decision)**

According to Porman (in Yulfita, 2013:3) valuation of common stock through three important steps that can be used by investors before decision making to buy, sell or hold. The following three main points:

1. The Estimate earnings per share in the future
2. The Estimated dividend payout ratio
3. Calculate the present value of the expected dividend stream through discounting dividends with yields expected

Investment Decision making in the assessment of the stock explain through guideline for an investor as follows:

<table>
<thead>
<tr>
<th>No</th>
<th>Information</th>
<th>Decision</th>
</tr>
</thead>
</table>

Table 1. The Guideline of assessment investing
1. The intrinsic value is more than the current stock price stock condition (undervalued) | **Buy**
---
2. The intrinsic value is less than the current stock price stock condition (overvalued) | **Sell**
---
3. The intrinsic value is equal to the current share price the stock condition (Correctly valued) | **Hold**
---

Source: (Sunariyah, 2006:178)

### III. Research Methods

This research uses descriptive quantitative approach. According to Travers (in Umar, 2014:22). Descriptive method aims to describe nature of something going on at the time the research was done and examine the causes of a particular symptom. Meanwhile, according to Gay (in Umar, 2014: 22) This method aims to answer the question concerning something that are taking place when the execution of the research. The research data was sourced from the website of the Indonesia Stock Exchange. The population is a financial the insurance sub sector companies listing in the year 2013-2015. Sampling is a sampling technique that is used in research (Sugiyono, 2007: 116). Sample is selected by using purposive sampling was selected 7 firm samples of the population. Based on the opinion of Gay (in Umar, 2014: 79) states that an acceptable sample size when using the descriptive method is 10% of the population and for a small population is 20% of the population.

**Table 2 The process of taking samples**

<table>
<thead>
<tr>
<th>No.</th>
<th>Characteristics of Samples</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Insurance Sub-sector companies listed on the Indonesia Stock Exchange 2013-2015 period</td>
<td>12</td>
</tr>
<tr>
<td>2</td>
<td>Insurance companies that do not publish financial statements of the period 2013-2015</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>Insurance companies that do not pay dividends period 2013-2015</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td><strong>Total Sample</strong></td>
<td><strong>7</strong></td>
</tr>
</tbody>
</table>

Source: (www.idx.co.id, 2016)

Data analysis is the process of developing a systematic review of outcome data have been obtained including: interviews, field notes, documentation and organizes data into categories to select which is important to make a conclusion so easily understood (Sugiyono, 2013: 428). The data were analyzed descriptively by using quantitative analysis, aims to determine the intrinsic value of the company's stock by analyzing the financial statements using the Price Earning Ratio and Dividend Discounted Model. Steps calculate price earning ratio as follows.

a) Calculate the expected earnings growth (g) shares ABDA, AMAG, ASBI, ASDM, LPGI, MREI, ASRM.

b) Earning Per Share determines the estimated ABDA, AMAG, ASBI, ASDM, LPGI, MREI, ASRM.

c) Calculating Estimated Dividend Per Share ABDA, AMAG, ASBI, ASDM, LPGI, MREI, ASRM.

d) Determining Discounted Rate (k) ABDA, AMAG, ASBI, ASDM, LPGI, MREI, ASRM.

e) Calculate an estimate of Price Earning Ratio (PER)

f) Calculate the intrinsic value of stock
g) After the analysis were then carried out any investment decision. Steps calculate Dividend Discounted Model as follows.

a) Calculating shares Dividend Growth Rate ABDA, AMAG, ASBI, ASDM, LPGI, MREI, ASRM

b) Estimated Dividend ABDA, AMAG, ASBI, ASDM, LPGI, REI, ASRM

c) Expected Rate of Return (Required Rate of Return) ABDA, AMAG, ASBI, ASDM, LPGI, MREI, ASRM

d) The assessment is using Discounted Dividend Model Constant Growth stock ABDA, AMAG, ASBI, ASDM, LPGI, REI, ASRM

e) After the analysis stock then investors are able to invest in sub-sector insurance, they are: ABDA, AMAG, ASBI, ASDM, LPGI, MREI and ASRM.

IV. Result and Discussion

The process of Stock Valuation is done by two methods: Price Earning Ratio and Dividend Discounted Model.

a) Price Earning Ratio (PER) Approach

The first discussion of analyzing stock used price PER approach.

Table 3. Result calculation PER approach

<table>
<thead>
<tr>
<th>Ticker</th>
<th>Expected Earning Growth</th>
<th>EPS Estimate 2016</th>
<th>Dividend Estimate</th>
<th>Discount rate (k)</th>
<th>PER Estimate 2016</th>
<th>Intrinsic Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABDA</td>
<td>0,14648</td>
<td>496,4288</td>
<td>104,2539</td>
<td>0,160387</td>
<td>15,10791</td>
<td>7440</td>
</tr>
<tr>
<td>AMAG</td>
<td>0,07282</td>
<td>49,96126</td>
<td>11,54253</td>
<td>0,103196</td>
<td>7,605893</td>
<td>349,72</td>
</tr>
<tr>
<td>ASBI</td>
<td>7,64522</td>
<td>402,608</td>
<td>110,7609</td>
<td>7,896952</td>
<td>0,982525</td>
<td>393,96</td>
</tr>
<tr>
<td>ASDM</td>
<td>0,12767</td>
<td>260,4927</td>
<td>68,14912</td>
<td>0,187193</td>
<td>4,395517</td>
<td>1146,2</td>
</tr>
<tr>
<td>LPGI</td>
<td>0,05427</td>
<td>545,0621</td>
<td>1,828082</td>
<td>0,054664</td>
<td>8,715596</td>
<td>4741,5</td>
</tr>
<tr>
<td>MREI</td>
<td>0,62885</td>
<td>22018,01</td>
<td>2863,781</td>
<td>0,625507</td>
<td>0,281588</td>
<td>6165,042</td>
</tr>
<tr>
<td>ASRM</td>
<td>0,161346309</td>
<td>346,0812</td>
<td>96,64424</td>
<td>0,203366</td>
<td>6,6458</td>
<td>2283,6</td>
</tr>
</tbody>
</table>

Source: Researcher Estimate

b) Dividend Discounted Model (DDM) approach

The second discussion of analyzing stock used price DDM approach.

Table 4. Result calculation DDM approach

<table>
<thead>
<tr>
<th>Ticker</th>
<th>Dividend Growth Rate</th>
<th>Dividend Estimate 2016</th>
<th>Required Rate of Return</th>
<th>Intrinsic Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABDA</td>
<td>0,447222222</td>
<td>123,0138889</td>
<td>5,036796537</td>
<td>7096,955128</td>
</tr>
<tr>
<td>AMAG</td>
<td>0,011111111</td>
<td>10,11111111</td>
<td>0,045321637</td>
<td>295,5555556</td>
</tr>
<tr>
<td>ASBI</td>
<td>0,016666667</td>
<td>20,333333333</td>
<td>0,073484848</td>
<td>357,8666667</td>
</tr>
<tr>
<td>ASDM</td>
<td>0,074825954</td>
<td>69,863687</td>
<td>0,1342146</td>
<td>1176,3812</td>
</tr>
<tr>
<td>LPGI</td>
<td>0,322627542</td>
<td>2,380729575</td>
<td>0,357364384</td>
<td>6853,615444</td>
</tr>
<tr>
<td>MREI</td>
<td>0,106432749</td>
<td>44,25730994</td>
<td>0,114497265</td>
<td>5487,906433</td>
</tr>
<tr>
<td>ASRM</td>
<td>0,181818182</td>
<td>100,4545455</td>
<td>0,22312253</td>
<td>2432,057416</td>
</tr>
</tbody>
</table>

Source: Researcher Estimate

Based on table result calculation PER and DDM approach above, It is able to be made comparison fair value of stock with market price in capital market.

Table 5. Comparison intrinsic value with market price sub-sector insurance

<table>
<thead>
<tr>
<th>PER Method</th>
<th>DDM Method</th>
</tr>
</thead>
</table>

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<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ABDA</td>
<td>7440</td>
<td>7500</td>
<td>ABDA</td>
<td>7096,95</td>
<td>7500</td>
</tr>
<tr>
<td>AMAG</td>
<td>349.72</td>
<td>380</td>
<td>AMAG</td>
<td>295,55</td>
<td>380</td>
</tr>
<tr>
<td>ASBI</td>
<td>393.96</td>
<td>440</td>
<td>ASBI</td>
<td>357,86</td>
<td>440</td>
</tr>
<tr>
<td>ASDM</td>
<td>1146,2</td>
<td>1145</td>
<td>ASDM</td>
<td>1176,38</td>
<td>1145</td>
</tr>
<tr>
<td>LPGI</td>
<td>4741,5</td>
<td>4750</td>
<td>LPGI</td>
<td>6853,61</td>
<td>4750</td>
</tr>
<tr>
<td>MREI</td>
<td>6165,04199</td>
<td>6200</td>
<td>MREI</td>
<td>5487,90</td>
<td>6200</td>
</tr>
<tr>
<td>ASRM</td>
<td>2283,6</td>
<td>2300</td>
<td>ASRM</td>
<td>2432,05</td>
<td>2300</td>
</tr>
</tbody>
</table>

Source: Researcher Estimate

Bases on table 5 above, we are able to be stated that investors interest in investment their fund in sub sector insurance which consist of seven companies the following decision.

1. Asuransi Bina Dana Arta, Inc. (ABDA), Asuransi Multi Artha Guna, Inc. (AMAG), Asuransi Bintang (ASBI), Lippo General Insurance, Inc. (LPGI) These Reinsurance Indonesia, Inc (MREI) and Asuransi Ramayana, Inc. (ASRM) were calculated using the method PER where the results obtained by comparing the intrinsic value with market price showed that overvalued position. Likewise it refers to investment decisions investors should sell shares of the company. Meanwhile Asuransi Dayin Mitra, Inc. (ASDM) is undervalue position in other that the investment decisions is selected buying the stock.

2. Asuransi Bina Dana Arta, Inc. (ABDA), Asuransi Multi Artha Guna, Inc. (AMAG), Asuransi Bintang (ASBI), Reinsurance Indonesia Airlines, Inc. (MREI) are calculated by using DDM method obtained results in the condition of overvalued position. As referring to investment decisions investors should sell the stock. Meanwhile three stocks are: Lippo General Insurance, Inc. (LPGI), Asuransi Ramayana, Inc. (ASRM) and Asuransi Dayin Mitra, Inc. (ASDM) is undervalued position. Therefore it refers to the approach of DDM investors should buy stocks are: LPGI, ASRM and ASDM.

V. Conclusion and Suggestion

**Conclusion:**

a) Result calculation using PER approach showed that 6 companies are overvalued position, including: ABDA, AMAG, ASBI, LPGI, MREI and ASRM. Furthermore one stock in undervalued is ASDM.

b) Result calculation using DDM approach showed that 4 companies are at overvalued position, including: ABDA, AMAG, ASBI, and MREI. Whereas 3 stocks in undervalued position: LPGI, ASRM and ASDM.

c) If stock price in overvalued position that decision can be taken by investors are selling the stock. Meanwhile stock condition is at undervalued, investors should buy stock.

**Suggestion**

a) Investors need to consider prospects of the company in future through considering factors fundamental of firms to determine fair value after determining investment decisions on stocks.
b) Dividend Discounted Model and Price Earning Ratio are fundamental analysis methods, though those are other methods of fundamental analysis that can be used to determine the intrinsic value of the stock. Researchers hope PER and DDM approach can be used to add a reference for investors.

c) Investors should consider other factors such as: macro-economic environment and industrial environment which influence directly to current price of stock.

d) Fundamental analysis should be used by long-term-oriented investors while short-term-oriented investors can use technical analysis.

e) Investors are expected to follow news the development of the stock that have been purchased by them everyday.

References


