

ABSTRACT

The aim of this research is to determine factors that influence underpricing. This research conducted in companies doing IPO at Indonesia Stock Exchange in period of 2003-2010. Underpricing which is measured by initial abnormal return is dependent variable. Independent variables of this research are: underwriter reputation, auditor reputation, firm age, firm size, investment purpose of IPO fund, profitability financial leverage and industry type, sample is collected by using purposive sampling, resulting in 83 companies as sample. Multiple regression model used to test relation between independent variable and independent variable. Regression analysis shows that underwriter reputation and profitability (ROA) have negative and significant influence on the level of underpricing. Firm size, Investment purpose of IPO Fund, the auditor reputation, firm age, and financial leverage do not have significant influence to underpricing. This result had implication that: 1) companies doing IPO should consider underwriter reputation, firm size and purpose of using IPO fund to attract investors and minimize the level of underpricing, 2) investors should consider all three of factor in their IPO investment decision in order to get higher return, 3) underwriters should improve and provide quality underwriting services to maintain their reputation and IPO success in the future.

Keywords: *Underpricing, Initial Public Offering, Underwriter Reputation, Auditor Reputation, Firm Age, Firm Size, Investment Purpose of IPO Fund, Profitability, Financial Leverage.*