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The Effect of Financial Information at Underpricing Level with Auditor's Reputation as Moderating Variables

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ABSTRACT: Underpricing is a phenomenon of Initial Public Offering which is on average cheap that would make the company not to get the maximum funds. The purpose of this study is to determine the effect of profitability, financial leverage, price earning ratio, and proceed at the level of underpricing of initial public offering on the IDX with the auditor's reputation as a moderating. This research was conducted at companies conducting IPO in 2016-2018. Total population of 99 companies. Of the total population, 88 observational data were obtained using a non-probability sampling method with a purposive sampling technique. The data analysis technique used is moderated regression analysis. The results of data analysis show that profitability, financial leverage, and proceed have a negative effect on the level of underpricing, while the price earning ratio has no effect on the level of underpricing. The auditor's reputation weakens the negative effect of profitability at the level of underpricing, while the auditor's reputation is unable to moderate the effect of financial leverage, price earning ratio and proceed there is a level of underpricing.

KEYWORDS : *Underpricing; Initial Public Offering; Financial Information; Auditor Reputation.*

I. INTRODUCTION

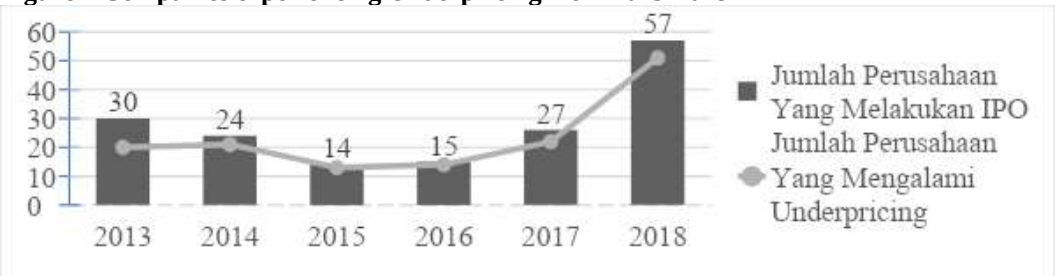
Companies will be able to compete in economic development in the current era of globalization if the company has a large capital in developing its business. However, there are still many companies that find it difficult to meet their capital needs if they only rely on internal sources of resources such as corporate profits. Therefore an alternative external source is needed, one of which is offered to the public in the capital market through the process of going public. Companies that will go public must make an Initial Public Offering (IPO). The initial share price to be sold during the IPO is determined by the agreement of the issuer and underwriter. According to Gumanti (2002) in Saputra and Suaryana (2016), the process of determining the initial stock price or company stock price during an IPO is difficult because there is still a lack of relevant price information to assess and determine a reasonable price because the company's shares have never been traded before the initial public offering. Determination of the share price at the initial offering is one of the important stages for companies going public, because it will affect the amount of funds to be obtained, the risk of underwriters, and the interest of potential investors to buy shares at the time of the IPO.

Issuers expect the sale of initial shares with high share prices and sold out in order to obtain maximum gains on the closing price of the first day on the secondary market (Dimovski *et al*., 2011). However, the high share price at the time of the IPO tends to reduce the interest of potential investors to buy shares offered (Akkus *et al*., 2013). Therefore, issuers will usually use underwriters with full commitment guarantee types to guarantee the sale of their shares (Alteza, 2010). As a result of this type of guarantee, the underwriter will try to minimize the risk by negotiating when making a price agreement so that it is not too high so that it can be accepted by potential investors.

Lower share prices when an IPO compared to the closing price of the first day on the secondary market will cause the phenomenon of low prices or what is often called the phenomenon of underpricing. Conversely, if the current IPO price is higher than the closing price of the first day on the secondary market, then this phenomenon is called overpricing (Partama and Gayatri, 2019). If there is an underpricing phenomenon, the issuer will suffer a loss because the amount of funds to be obtained is not maximum. However, if there is overpricing, the investor will suffer a loss because he does not receive an initial return. Initial return is the profit that will be obtained from the difference in the price of shares purchased in the primary market with the selling price of shares on the first day on the secondary market (Yazdani and Aris, 2015). The issuer certainly does not

expect the phenomenon of underpricing because it will cause loss of prosperity for the company (Ljungqvist, 2007). In Indonesia this underpricing phenomenon often occurs in companies that conduct IPOs (Widarjo *et al*., 2017). This can be seen in Figure 1 below.

Figure 1 Companies experiencing Underpricing from 2013-2018



Secondary data, 2019

Figure 1 shows that 167 companies have conducted IPOs in the past 5 years. Companies that conduct IPOs have decreased since 2013. However, since 2016 the number of companies conducting IPOs has increased. Along with the increase in IPO companies, the phenomenon of underpricing has also increased from 2016 to 2018. When accumulated in the last 5 years as many as 85 percent or 142 companies are underpricing. This shows that most of the shares of the company which was made an initial public offering during this period experienced the phenomenon of underpricing.

The underpricing phenomenon often occurs because of the information asymmetry in the primary market (Bakar and Uzaki, 2013). This information asymmetry can occur between the issuer and the underwriter (Baron, 1982). According to Rock (1986), Information asymmetry can also occur between informed investors and uninformed investors. To reduce the information asymmetry at the time of the IPO, companies can utilize the prospectus issuance. Prospectus is a written document that must be made by the issuer containing relevant information sources and can be used to assess companies that will go public. Information on the prospectus consists of non-financial and financial information. According to signal theory, financial information can give positive signals about the fundamental conditions of the company. In addition, financial statements are one source of information used by investors and underwriters to assess companies that will go public (Yasa, 2008).

Financial information can be taken into consideration by the underwriter to make stock prices during the IPO and investors use to make rational investment decisions (Kim *et al*., 1993). The importance of financial information that describes the condition of the company can cause interested parties when the company conducts an IPO will tend to pay attention to the company's financial information. Financial information that is often considered and can influence the occurrence of undepricing when conducting an IPO based on previous research, among others, namely: financial ratios, proceed, company size and others. The financial information can be used as a means of relevant and reliable communication about the fundamental conditions of the company. Therefore, researchers are interested in doing research again related to the influence of financial information on underpricing or initial return.

Research on the influence of financial information on underpricing or initial return has been carried out by several previous researchers. Lestari and Sulasmiyati (2017) has conducted research aimed at empirically proving the effect of financial information on underpricing in 2012 with the results of return on assets having a negative and significant effect on underpricing, return on equity has a negative and significant effect on underpricing, and debt ratio has a positive and not significant to underpricing. While research Permadi and Yasa (2017) conducted on the influence of financial information by adding the auditor's reputation as a moderating show the results of research that financial information which includes size and return on assets has a negative effect on underpricing, and debt to equity ratio has a positive effect on the level of underpricing.

Previous research has produced inconsistent results. The author suspects that inconsistencies occur due to differences in sample and market conditions during the period used. This study uses profitability, financial leverage, price earning ratio, and proceed as financial information variables because there is still a research gap on each of these variables. Profitability is financial information that can describe a company's performance in generating profits. The greater the profitability, the investors will be interested in buying shares of the IPO company because it is assumed to get a high rate of return on capital. The level of underpricing can be seen with the company's financial information in using debt. Financial leverage is a financial ratio that can measure a company's ability to use debt that affects the risk level of a company and the uncertainty of a stock price (Kim *et al*., 1993). The higher the value of financial leverage, the higher the risk faced by investors will affect the level of underpricing of the company. Price Earning Ratio (PER) is financial information in the form of a ratio that can measure the amount of rupiah that must be paid by investors to obtain one rupiah of company earnings. PER can provide an overview of the company's future prospects. The higher the value of PER, the better the

company's prospects. The better the performance per share will affect many investors to buy these shares (Lutfianto, 2013)**.** So that a high company PER will reduce the uncertainty of an IPO thereby reducing the level of underpricing. Financial information that can affect the underpricing is proceed. Proceed describes the size of the offer during the IPO (Haska, 2016). The greater the value of the proceed the greater the desire of the issuer to make a profit. Thus the higher the proceed the smaller the initial return and will affect the level of underpricing (Misnen Ardiansyah, 2004; Ariska and Sumiati, 2015).

Financial information held by companies will have a high level of trust if they have good quality financial reports. In general, the issuer uses public auditors to audit the company's financial statements to ensure the quality of financial statement information. Therefore, the higher the likelihood that the issuer will use auditors whose reputation is good to improve the quality of information. Financial statements that have been audited by a reputable audior will give a positive signal to the information user, because it can give an indication that the company's fundamental condition is really in good health. So as to increase the level of user confidence in the company's financial statement information that can have an impact on the reduced level of underpricing. Some previous studies which found a significant negative effect on the reputation of the auditor on underpricing, namely research Mahatidana and Yunita (2017), Yanti (2016), Rosyidah (2014), Razafindrambinina (2013), Aini (2013), and Safitri (2013). In addition to having a direct effect on underpricing, the presence of the auditor's reputation can moderate the effect of financial information on underpricing.

Permadi and Yasa (2017) has conducted research on the auditor's reputation as a moderating influence of financial information on underpricing which results in the auditor's reputation being able to weaken the negative influence of return on assets, weakening the positive influence of financial leverage and not being able to moderate the effect of size on underpricing. The presence of a reputable auditor is sufficient to reduce the level of underpricing when conducting an IPO because it will guarantee the quality of financial information presented by the company to be more trusted by investors than those who do not use a reputable auditor. However, there is fewer research on underpricing using the auditor's reputation as moderating so that researchers are interested in using the auditor's reputation as a moderating variable to examine the effect of financial information on underpricing.

Profitability is a financial ratio that is used to assess the ability of a company's management effectiveness in generating profits (Kasmir, 2013:196). The level of profit of the company plays an important role in evaluating the company's financial performance, so that it can be used as a basis for investment decisions in purchasing shares (Watts and Zimmerman, 1990). Company profitability can be used as a basis for determining investment decisions for investors. According to signal theory, an initial public offering of a company with high profitability will create a positive signal for potential investors to buy the company's shares because the company is considered to be able to create profits. Companies that have a high level of profitability will attract investors to invest higher than companies with lower profitability. This causes the underwriter to set IPO share prices which tend to be higher because of his belief in the sale of company shares with a high level of profitability. So that high company profitability will reduce the level of underpricing (Pahlevi, 2014). This is in line with research conducted by Yuliani *et al*., (2019), Putra (2017), Lestari and Sulasmiyati (2017), and Witjaksono (2012) which in his research found that profitability has a negative effect on the level of underpricing. Based on the description, the hypothesis can be formulated as follows:

H_1: Profitability has a negative effect on the level of underpricing.

Financial leverage is financial information that shows the risk of a company that impacts the uncertainty of a stock price (Kim et al., 1993). The use of financial leverage which is higher will increase the risk if the company turns out to get lower profits from fixed costs. According to signal theory, information about the use of high financial leverage by the company will cause investors to assume the company has a risk of failure to repay loans. The greater the level of financial leverage of a company, its capital dependence on outsiders is greater so that the company's burden is also heavier (Safitri, 2013). This causes the underwriter to set IPO share prices which tend to be lower to avoid the risk of the shares not being sold out. So the higher the financial leverage, the higher the level of underpricing. This research is in line with Partama (2019), Saputra and Suaryana (2016), Pahlevi (2014), and Kim *et al*. (1993) which found that financial leverage has a positive effect on the level of underpricing. Based on the description, the hypothesis can be formulated as follows:

H_2: Financial leverage has a positive effect on the level of underpricing

Price earning ratio is a ratio that can indicate the amount of rupiah that must be paid by investors to get one rupiah of company earnings. In addition, the price earning ratio can also provide a picture of the company's future prospects (Alviani, 2015). According to signal theory, a company with a high level of price earning ratio can indicate that the company has good prospects. The company's prospects are getting better along with the company's improved performance. This will influence many investors to buy these shares because the better performance per company share (Lutfianto, 2013)**.** So the price earning ratio will reduce the uncertainty of the value of the company at the time of the IPO. Alviani (2015), Irfani (2014), and Lutfianto (2013) in his research found that the price earning ratio has a positive effect on the level of underpricing. Based on the description, the hypothesis can be formulated as follows:

H_3: Price earning ratio has a positive effect on the level of underpricing

Proceed is cash inflows obtained from the results of new assets or investments (Ariska and Sumiati, 2015). The sale of shares during an IPO is one of the cash flows that can increase the company's proceeds. According to signal theory, information on the value of shares offered to the public can indicate the extent of the company's financial needs (Ariska and Sumiati, 2015). The greater the value of the proceed the greater the desire of the issuer to make a profit. Therefore, the higher the proceed, the higher the stock price. Thus the amount of proceed has an impact on reducing the occurrence of underpricing. Nuryasinta and Haryanto (2017), Ariska and Sumiati (2015), and Wijayanto (2010) in their research found that proceed had a negative effect on the level of underpricing. Based on the description, the hypothesis can be formulated as follows:

H_4: Proceed has a negative effect on the level of underpricing

Information about company profitability can be used as a basis in determining investment decisions for investors because it can describe the company's performance in creating profits. High company profitability can reduce the level of underpricing. According to signal theory, an IPO company will try to give a positive signal to investors about the project and the company's performance by selecting highly reputable auditors in the hope of reducing uncertainty about the value of the company. The company will guarantee its financial statements to be audited by auditors with high reputation in order to increase investor confidence that the company's financial statement information is accurate and relevant. Companies with high profitability and using the services of reputable auditors will be able to reduce the level of uncertainty in the future. Based on the description, the hypothesis can be formulated as follows:

H_5: The auditor's reputation reinforces the negative effect of profitability on the level of underpricing

The use of financial leverage which is higher will increase the risk if the company turns out to get lower profits from fixed costs. Companies with high financial leverage indicate the risk and uncertainty faced by the company will be higher so that it will have an impact on the high level of underpricing. According to signal theory, an IPO company will try to give a positive signal to investors about the project and the company's performance by selecting highly reputable auditors in the hope of reducing uncertainty about the value of the company. The company will use the services of reputable auditors to audit its financial statements in the hope of being able to reduce the uncertainty faced by the company due to the use of debt. So that it can have an impact on reducing the level of underpricing. Based on the description, the hypothesis can be formulated as follows:

H_6: The auditor's reputation weakens the positive influence of financial leverage at the level of underpricing

Price earning ratio is the ratio of stock price to net income in financial statements that is useful for assessing the potential investment of a company. Companies with a high level of price earning ratio can indicate that the company has good prospects. This will influence many investors to buy these shares because the better performance per company share (Lutfianto, 2013). According to signal theory, an IPO company will try to give a positive signal to investors about the project and the company's performance by selecting highly reputable auditors in the hope of reducing uncertainty about the value of the company. The company will use a reputable auditor to guarantee its financial statements in the hope that the information in its financial statements can convince investors that information about the price earning ratio can reflect the intrinsic value of the company's shares. So companies with low price earning ratios by trying to use the services of reputable auditors are expected to reduce the level of uncertainty in the future. Based on the description, the hypothesis can be formulated as follows:

H_7: The auditor's reputation weakens the positive effect of the price earning ratio on the level of underpricing

Proceed describes the size of the offer during the IPO. The value of shares offered to the public provides information on the extent of the company's financial needs (Ariska and Sumiati, 2015). Companies with high proceed will have an impact on reducing underpricing. According to signal theory, an IPO company will try to give a positive signal to investors about the project and the company's performance by selecting highly reputable auditors in the hope of reducing uncertainty about the value of the company. The company will use reputable auditors to guarantee financial information to the company is accurate and relevant so that it can convince investors. Companies with high proceed value by using reputable auditor services are expected to reduce the level of uncertainty in the future. Based on the description, the hypothesis can be formulated as follows:

H_8: The auditor's reputation strengthens the negative effect of proceed at the level of underpricing.

II. METHODS

This research uses a quantitative approach that is associative. The object of research is the underpricing experienced by companies when conducting an IPO in 2016-2018. The population in this study obtained as many as 99 companies selected with the following criteria: (1) the sample was a company that conducted an IPO in 2016-2018; (2) companies experiencing underpricing so that 88 research samples are obtained. In accordance with the objectives of the study, this study uses multiple linear regression model analysis techniques with a special application that is moderated regression analysis (MRA). There are two tests conducted before the MRA test, namely the descriptive statistical test and the classic assumption test.

III. RESULTS AND DISCUSSION

Based on the sample selection criteria, there were 88 companies that met the criteria because of the 99 companies that did IPO in the 2016 to 2018 period there were 11 companies that did not experience underpricing, of which 9 companies experienced overpricing and 2 companies did not experience underpricing and overpricing. Then the classical assumption testing is conducted to ensure that the model that is made meets the BLUE (Best Linear Unbias Estimator) requirements. Testing classic assumptions in this study include normality test, multicollinearity test, and heteroscedasticity test. Here are the results of his research.

Table 1 Normality Test Results

	Unstandardized Residual
N	88
Kolmogorov-Smirnov Z	3,427
Asymp. Sig. (2-tailed)	0,000

Secondary Data, 2019

Based on Table 1, there are data problems in the regression model that do not meet the normality assumption because of the Asymp value. Sig. (2-tailed) of 0,000 less than the significant level of 0.05. Data problems that do not meet the assumption of normality are overcome by detecting outlier data. Based on outlier detection, there are 8 company data that must be trimmed or removed from the data sample because it is outlier. So the research sample was obtained after an outlier of 80 companies. Then the study sample after the outlier is tested for normality. The results of the normality test after disposal of the outlier data can be seen in Table 2. as follows.

Table 2 Normality Test Results After Outlier

	Unstandardized Residual
N	80
Kolmogorov-Smirnov Z	0,929
Asymp. Sig. (2-tailed)	0,354

Secondary Data, 2019

Based on Table 2 it can be that the Asymp value. Sig. (2-tailed) of 0.354. This value indicates that the Asymp value. Sig. (2-tailed) is greater than the 0.05 level of significance. It shows that the sample data after outliers in this study were normally distributed.

Table 3 Multicollinearity Test Results

No.	Model	Collinearity Statistics	
		Tolerance	VIF
1	ROE	0,917	1,090
	DER	0,991	1,009
	PER	0,993	1,007
	LnP	0,875	1,143
	AUD	0,937	1,067

Secondary Data, 2019

Based on Table 3 it can be seen that the tolerance value of each variable is greater than 10% (0.10) and VIF is less than 10. This means that the regression model is free from multicollinearity problems.

Table 4 Heteroscedasticity Test Results

		B	Std. Error	Beta	t	Sig.
1	(Constant)	-0,058	0,334		-0,175	0,862
	ROE	0,031	0,087	0,043	0,364	0,717
	DER	-0,002	0,011	-0,027	-0,231	0,818
	PER	0,000	0,000	-0,141	-1,224	0,225
	LnP	0,009	0,013	0,082	0,674	0,502
	AUD	-0,017	0,050	-0,039	-0,333	0,740

Secondary Data, 2019

Based on Table 4, it can be seen that the results of the heteroscedasticity test on each variable have a significance value greater than the 0.05 level of significance. So it can be concluded that the regression model does not contain any symptoms of heteroscedasticity.

After trimming outlier data and passing the classic assumption test, a sample of 80 companies will be tested. Therefore, the sample data after the outlier will be analyzed by descriptive statistics to determine the characteristics of the sample used. Descriptive statistical results after the outlier can be seen in Table 5 as follows.

Table 5 Descriptive Statistic After Outlier

	N	Minimum	Maximum	Average	Standard Deviation
IR	80	0,015	1,291	0,481	0,268
ROE	80	-0,781	0,952	0,083	0,185
DER	80	0,031	5,936	1,597	1,432
PER	80	-277,130	236,520	22,446	62,885
LnP	80	23,508	29,273	25,650	1,252
AUD	80	0	1	0,113	0,317

Secondary Data, 2019

Profitability in this study is proxied by Return on Equity (ROE). The minimum value is -0.781 and the maximum value is 0.952 with an average profitability resulting in a positive value of 0.083. Financial leverage in this study is proxied by Debt to Equity Ratio (DER). The minimum value of 0.031 and the maximum value of 5.936 with an average financial leverage yields a positive value of 1.597. Price earning ratio in this study is proxied by dividing the initial stock price by earnings per share (PER). The minimum value of -277,130 and the maximum value of 236,520 with an average PER producing a positive value of 22,446. Proceed in this study is proxied by the natural log of the value of the initial public offering (LnP). The minimum value is 23.508 and the maximum value is 29.273 with an average proceed yielding a positive value of 25.560. Auditor's reputation (AUD) in this study was obtained using dummy variables. The average auditor reputation yields a positive value of 0.130 with a minimum value of 0 and a maximum value of 1. The average value of the auditor's reputation tends to be closer to the minimum value of 0. This means that the average sample company uses the services of low-reputation auditors or KAPs that non The big four is more than the services of highly reputable auditors or KAP which includes The big four.

Moderated regression analysis (MRA) is a special application of multiple linear regression to determine the relationship between two variables that are influenced by a third variable or a moderating variable. Based on calculations with the help of the IBM SPSS version 21 program, the results of the analysis are presented in Table 6 as follows.

Table 6 Moderated Regression Analysis (MRA) Test Results

Model		Unstandardized Coeffcients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2,877	0,559		5,149	0,000
	ROE	-0,377	0,169	-0,261	-2,230	0,029
	DER	-0,034	0,017	-0,182	-2,001	0,049
	PER	-0,001	0,000	-0,166	-1,859	0,067
	LnP	-0,088	0,022	-0,413	-4,028	0,000
	AUD	0,528	1,734	0,626	0,305	0,762
	ROE*AUD	0,760	0,327	0,335	2,324	0,023
	DER*AUD	0,068	0,103	0,134	0,661	0,511
	PER*AUD	-0,004	0,005	-0,080	-0,785	0,435
	LnP*AUD	-0,034	0,069	-1,072	-0,496	0,622
Adjusted R^2 =		0,376				
F_{hitung} =		6,297				
Sig. F =		0,000				

Secondary Data, 2019

Based on Table 6 a regression equation model can be made, as follows:

IR = 2,877 – 0,377ROE – 0,034DER – 0,001PER – 0,088LnP + 0,528AUD + 0,760ROE*AUD + 0,068DER*AUD –0,004PER*AUD – 0,034LnP*AUD+ e

IV. DISCUSSION

The first hypothesis states that profitability has a negative effect on the level of underpricing. The test results in Table 6 show that the profitability variable which is proxied by ROE has a significance value of 0.001 and a negative coefficient value of -0.377. Significance value of 0.001 < 0.05 indicates that H1 was accepted. This result means that profitability has a negative and significant effect on underpricing. The higher the profitability, the lower the level of underpricing.

The second hypothesis states that financial leverage has a positive effect on the level of underpricing. The test results in Table 6 show that the financial leverage variable which is proxied by DER has a significance value of 0.049 and a negative coefficient of -0.034. The significance value is 0.049 < 0.05. Based on the specified research directions it can be concluded that H_2 is rejected. The average value of financial leverage in companies conducting IPO in 2016 to 2018 tends to be closer to the minimum value or in other words most

companies have a low level of financial leverage. The company's low financial leverage is highly considered by investors in determining investment decisions because it is assumed that the company is not too risky. So the higher the value of financial leverage, the lower the level of underpricing and vice versa. The results of this study support the research Kartika and Putra (2017) The first hypothesis states that profitability has a negative effect on the level of underpricing. The test results in Table 6 show that the profitability variable which is proxied by ROE has a significance value of 0.001 and a negative coefficient value of -0.377. Significance value of 0.001 < 0.05 indicates that H_1 was accepted. This result means that profitability has a negative and significant effect on underpricing. The higher the profitability, the lower the level of underpricing.

The second hypothesis states that financial leverage has a positive effect on the level of underpricing. The test results in Table 6 show that the financial leverage variable which is proxied by DER has a significance value of 0.049 and a negative coefficient of -0.034. The significance value is 0.049 < 0.05. Based on the specified research directions it can be concluded that H_2 is rejected. The average value of financial leverage in companies conducting IPO in 2016 to 2018 tends to be closer to the minimum value or in other words most companies have a low level of financial leverage. The company's low financial leverage is highly considered by investors in determining investment decisions because it is assumed that the company is not too risky. So the higher the value of financial leverage, the lower the level of underpricing and vice versa. The results of this study support the research Chiraphadhanakul and Gunawardana (2005) and Enika (2013) which in his research found that the price earning ratio did not affect the level of underpricing.

The fourth hypothesis states that proceed has a negative effect on underpricing. The test results in Table 6 show that the proceed variable has a significance value of 0,000 and a negative regression coefficient value of -0.088. The significance value of 0,000 < 0.05 indicates that H_4 was accepted. This result means that proceed has a negative and significant effect on underpricing. The higher the proceed, the lower the level of underpricing.

The fifth hypothesis states that the auditor's reputation reinforces the negative effect of profitability on underpricing. The test results in Table 6 show that the interaction of profitability with the auditor's reputation has a significance value of 0.023 and a positive coefficient value of 0.760. The significance value is 0.023 < 0.05. This indicates that H_5 is rejected because the coefficient value produces negative results which means that if the company uses a reputable auditor, the negative effect of profitability on underpricing will weaken. The results of this study are in line with research Permadi and Yasa (2017) which in his research found that the auditor's reputation weakens the effect of profitability at the level of underpricing.

The sixth hypothesis states that the auditor's reputation weakens the positive influence of financial leverage on underpricing. The test results in Table 6 show that the interaction of financial leverage with the auditor's reputation has a significance value of 0.511 and a positive coefficient value of 0.068. Significance value of 0.511 > 0.05 indicates that H_6 is rejected. This result means that the auditor's reputation is not able to moderate the positive effect of financial leverage on underpricing. The seventh hypothesis states that the auditor's reputation weakens the positive effect of the price earning ratio on underpricing. The test results in Table 6 show that the interaction of the price earning ratio with the auditor's reputation has a significance value of 0.435 and a negative coefficient of -0.004. The significance value of 0.435 > 0.05 indicates that H_7 was rejected. This result means that the auditor's reputation is not able to moderate the positive effect of the price earning ratio on underpricing. The eighth hypothesis states that the auditor's reputation strengthens the negative effect of proceedings on underpricing. The test results in Table 8 show that the interaction of proceed with the auditor's reputation has a significance value of 0.622 and a negative coefficient of -0.034. The significance value of 0.622 > 0.05 indicates that H_8 was rejected. This result means that the auditor's reputation is not able to moderate the negative effect of proceedings on underpricing.

V. CONCLUSION

Based on research results that have been obtained through statistical testing and discussion. The conclusion is that profitability has a negative effect on the level of underpricing, financial leverage has a negative effect on the level of underpricing, price earning ratio has no effect on the level of underpricing, proceed has a negative effect on the level of underpricing, the auditor's reputation weakens the effect of profitability at the level of underpricing, and the auditor's reputation is unable to moderate financial influence, price earning ratio, and proceed at the level of underpricing.

Based on the discussion and conclusions, there are some suggestions, namely for investors and companies that do, it is expected to pay more attention to and analyze the company's financial information properly. In addition, this study also has shortcomings in determining the auditor's reputation measurement, so it is recommended for researchers to use another measurement that measures the level of public auditor reputation based on the number of clients audited during the study year. This is because in Indonesia the KAP affiliated with The Big Four is still considered to have the same quality as other public auditors and the public sees that the task of public auditors as examiners is a mandatory requirement that must be fulfilled by companies that conduct Initial Public Offering.

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