ABSTRACT

In the future business and economic world, intellectual capital is generally considered to be a vital strategic asset and has been increasingly viewed as a significant contributor to companies’ performance. The inclusion of information on intellectual capital in IPO prospectuses is an indication that companies believe that intellectual capital is important in the capital market’s assessment of the value of the company and the first-day return of IPO is viewed as a major cost of capital to the issuer company, and the disclosure of intellectual capital in the prospectus will affect the IPO underpricing.

There are three hypotheses in this study that investigate the association between intellectual capital disclosures on company’s prospectuses and the first-day return. All hypotheses are evaluated by using correlation coefficients and multiple regression analysis.

All the analyses in this study yield the same conclusion that intellectual capital disclosure, company size, and offering price have the negative relationship with the first trading day initial return. The relationships, however, are only statistically significant for company size, and the offering price.

Key words: intellectual capital disclosure, First day Initial Return, IPO, prospectus, Indonesia, company size, offering price.