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VALUE OF THE COMPANY

(A Review of Literature)

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Abstract

Each company aims to maximize shareholder wealth through increased value of the company. The value of the company is the market value of debt and equity securities outstanding companies and the investors' perception of the level of success of the company that are often associated with stock prices. Investor confidence in the company's financial performance and prospects of the company in the future can be built through the creation of value for the company. Various theories Financial Management that discusses are Corporate Value, Market Value of the Firm Theory. Besides Value Company also has links with some of the concepts and theories of the Agency Theory, Theory of Trading Volume of stocks, Theory Diversified Portfolio, Theory Ownership structure of the company, Free cash flow, Investments, Stock liquidity, Risk and Return, Operating Performance, and Corporate Governance.

Keywords: Value of the Company; A Review of Literature.

1. Introduction

The Company was formed with the goal of increasing prosperity shareholders (Salvatore, 2005). Prosperity or well-being of the most common shareholders by maximizing the value of the company indicated. Maximizing enterprise value means maximizing shareholder wealth. Investor as the provider of funds has always wanted no yield benefit from the investments made. Investors will not pay for an asset exceeds the value of these assets (Damodaran, 2006). The value of the company is the market value of debt and equity securities outstanding companies and the investors' perception of the level of success of the company that are often associated with stock prices (Keown,2004). Prosperity shareholders achieved if there is a profit or yield of each share of the investment embedded. Gains derived among others came from the company's net profit and also from an increase in share prices on the stock exchange. Increasing the company's stock price means the increase in the value of the company itself (market value of the firm). The value of the company is an investor perception of the level of success of companies that are often associated with stock prices. High stock prices make the company's value is also high. High value of the company will create confidence in the firm's current performance and illustrate the company's prospects in the future. Theory of Financial Management discusses Corporate Values into The Market Value of the Firm Theory, Moreover Value Company also has links with some of the concepts and theories of the Agency theory, the theory of Trade Volume of shares, the theory Diversified Portfolio Theory ownership structure of the company, free cash flow, investment, stock liquidity, risk and return, operating performance, and corporate governance.

2. Corporate Values Theories and the Concept of Support

a) The Agency Theory

The rationale of efficient organization carried out by Adam Smith (1776) by introducing the theory of division of labor which advocated specialization functions that enterprise organizations can achieve goals more efficiently. Adam Smith argued that by maximizing self interest then everyone will benefit society. Individuals maximize profits and personal interests will automatically create the best possible allocation of resources.

This theory states that in an organization there must be a strict separation between control activities with operational activities, in this case there must be a separation between the Board of Directors as a representative of a shareholder who performs the function of control over the operations of the company and the Board of Management-CEO as parties running the company's operations.

In the course of the development and transformation of the capitalist ethic have led to a paradigm agency theory, how individuals or groups involved in the management of an organization to behave in achieving the goals (maximization value) intersect with the interests of the organization which led to conflict (Kast and Rosenzweigh, 2002).

Before 1976, financial experts generally use standard economic model of the company to describe the behavior of the company. The fundamental contribution of the cost model agency company based on the writings of Jensen and Meckling (1976), which incorporate the human element in a cohesive models to explain the behavior of the company.

The model developed by Jensen and Meckling's define the company as a legal entity which is connected by a network of contracts between managers, shareholders, consumers and other groups within the company (including employees). This model analyzes of the impact their agency conflicts in the decisions of the company. This conflict can occur between managers and shareholders, shareholders with creditors and creditors with management. Completion of the agency conflict will contain costs (eg fees for monitoring the activities of management by shareholders). Dividend, investment policies, spending is a way that can be taken by management to avoid conflicts of interest with shareholders.

In the agency theory, the manager had a personal goal to compete and often at odds with the objective of maximizing shareholder wealth. The purpose of this form of (1) Increasing the security of their jobs so that small possibility that the company will dismiss them (2) improve the position, status and salary (3) Increasing the opportunities to grow in the future. The realization of this goal could be done because the manager is empowered by the owner of the company, the shareholders, to make a decision and this creates potential conflicts of interest.

Berle and Means (1933) explicitly states the separation of ownership (ownership) and control (control) of the company, so that the distribution of share ownership in the company becomes an important thing. When control of the company is no longer done by the owner but turned over to others to manage the company's resources, then the problem that arises is the potential for conflict in the relationship between the owners (principals) with the manager (agent) which is often called the agency problem (agency problem).

Agency relationship is described as a relationship arising from the contract stipulated between the principal who uses agents to provide services for the benefit of the principal. Agency problems will occur when managers tend to act for the benefit of himself and not based on enterprise value maximization in making funding decisions (Jensen and Meckling, 1976).

Management does not bear the risk for error decisions, the risk is entirely borne by the shareholders. Another cause of this conflict is that shareholders are only concerned with the systematic risk of the company's shares, because they are investing in a well diversified portfolio, whereas the manager instead more concerned about the risk of the company as a whole.

Jensen (1986) explains that the conflict of interests of managers with shareholder interests happen assuming the owners (shareholders) and the agent (manager) each want a high return on investment projects, but with different interests to risk. The difference to the risks described by Ammihud and Lev (1981) that shareholders are more interested towards systematic risk, while managers are more concerned about the unsystematic risk. Paulina and Renneboorg (2005) explains that this conflict occurs in a company with a large free cash flows because the manager will invest the excess cash generated from internal sources of funds to optimize their personal advantage does not make the payment of cash dividends to shareholders.

The emergence of the agency for their problem of asymmetric information between shareholders and managers, that is, when one party has information that is not owned by the other party. Asymmetric information consists of the two types of adverse selection and moral hazard. Adverse selection on the type of party that feels it has less information than the other party will not want an appointment. Various ways for managers to have more information than the investors, for example by hiding, manipulating the information provided to investors. As a result, investors are not convinced of the quality of the company and do not want to buy shares of the company, or purchase company stock at very low prices. These conditions make the capital market is not functioning properly. Moral hazard occurs whenever managers perform actions without the owner's knowledge for the sake of personal gain and lower the welfare of the owners. In a relatively large corporation with the separation of ownership and management control it is difficult for shareholders to see the extent to which the performance of management in optimizing the use of resources entrusted to him (Darrough and Stoughton, 1986).

In a modern company, in which ownership is spread and management can be told apart, hence the need for capital is not only supplied by the owners or shareholders (shareholders) but it is possible to use funds from other sources, namely lending (debt-holders), in this case the agency problems can be more widely. Watts and Zimmerman (1990) implicitly recognizes three forms of agency relationships, ie between the owner and the management, the creditors with the management, and between the government and management. Thus the principal or is the owner of the company, including shareholders, creditors, and government.

Agency theory identifies potential conflicts of interests between the various stakeholders in the company. The conflict of interest due to differences in each party based on the positions and interests of the company (Jensen and Warner,1988). Conflicts like this are known as agency problems which actually appears as the principal trouble to ensure that the agent is acting in the best interests (maximizing welfare) principal. Attempt to address the agency will have consequences called agency fee costs (agency cost) will be borne either by the principal or agent. Jensen and Meckling (1976) split the cost of the agency into three groups, namely monitoring costs, bonding costs and residual cost. Monitoring costs are costs incurred and borne by the principal to monitor the agent's behavior. Bonding costs are incurred by the agent to set and adhere to a mechanism that ensures that the agent will act in the interests of the principal. While residual costs arising from the fact that the agent's action is sometimes different from the action that maximizes the interests of the principal.

Control over the agency problem in the decision-making process is important when the manager at the time and carrying out an important decision that is not the primary holder of the residual claims and furthermore not be part of another major effect on the welfare of their decisions. Jensen and Meckling (1976) states that this is a consequence of the separation between management functions and the ownership function. To overcome this agency problem and to reduce agency costs that arise, we need a mechanism of control and alignment of interests between managers, stockholders, and stakeholders.

b) Theory of Stock Trading Volume

The theory put forward by Karpoff (1986) is based on the assumption that the market agents frequently revise their asking price and randomly deal with his partner. In a stock market that has characteristics that heterogeneous market players (it has a different perception and assessment) and operates in a changing environment, the patterns become more active stock trading.

Trading volume associated with changes in stock prices and related information. The stock price will continue to revise depends on two things: the stock liquidity and speculative desires. The trading volume will also be influenced by the amount of assets owned by the company (which reflects the amount of companies in the market). Change in the share price is largely determined by the expectations of buyers and sellers in the capital markets. Expectations of buyers and sellers in the capital markets may cause the volume of stock trading is not normal and normal. These patterns influence the changes in stock prices in the capital market.

Logically there is a relationship between the liquidity of the value of the company and their relationship with the magnitude of the company's stock liquidity, where the relationship is based on the argument that a company's stock more liquid the higher the value of the company. In addition, the size of corporation contain any information that can move liquid or not shares in the capital market.

c) Diversify Portfolio Theory

The basic principle of the theory developed by Markowitz stated that the more stocks that make up a portfolio, the lower the unsystematic risk that portfolio. This is due to the effect of mutual elimination of unsystematic risk among stocks. If the portfolio is set up optimally, the return will be maximized.

Developed the theory of portfolio diversification Kane and Buser (1979) is a development of the theory of Markowitz portfolio selection. This theory is more emphasis on the study of the costs and benefits of diversification and the use of diversified assets (wider than diversified stock). This theory states the decision to create diversified portfolios aim to maximize corporate value. If the company then diversified to maximize the value of diversification is called diversification has benefits (benefits). If it does not maximize the value of diversification of the company, diversification is called diversification which has a cost (cost).

Rational company or manager will be formed diversified portfolios that maximize the value of the company. Therefore, the allocation of the investment must be efficient, or resources allocated to such diversification should maximize the value of the company. Maximizing enterprise value means it has a marginal diversification return is greater than marginal cost.

d) The Concept of Ownership Structure

The ownership structure is the percentage ownership of shares held by directors, managers and commissioners. Their ownership in a company's management will be led to speculation of interest that the company's value increases as a result of increased management ownership (Born 1988)

Jensen and Meckling (1976) analyze how the value of the company is affected by the distribution of ownership among the managers who enjoy the benefits of outsiders and who do not enjoy the benefits. Within this framework, an increase in the ownership of the management will reduce agency Difficulties (difficulty agent) by reducing the incentive for shareholders and taking over shareholder value. It is very potent in reducing the allocation of resources that are not profitable, which in turn will increase the value of the company.

e) The concept of Free Cash Flow

Free cash flow first stated by Jensen (1988). He defines free cash flow is the excess of cash flows required to finance the entire project with a positive NPV. Management with a large free cash flow can make the decision for;

i) Pay dividends

ii) Repurchase shares

iii) To allocate to investments with a negative NPV.

If the management invested with negative NPV, then the value of the company will decrease (negative). So the concept is very important in terms of agency theory and firm size effect, because the larger company have the greater opportunity for management to act without restraint.

Richardson (2005) said that free cash flow is the cash flow that exceeds what is required to maintain the assets and to finance new investment that is expected). While Smart (2004), defines free cash flow is the amount of cash flow available to investors or providers of debt and equity. Free cash flow represents net amount of cash flow after the company settled all the needs of the operation and repayment of long and short-term investments).

The general definition given by Eugene and Houston (1998) that free cash flow as operating cash flow minus investment company equity is required. He stated that in general, companies with superior investment opportunities should establish a lower payout ratio, which means hold more profit, than companies with smaller investment opportunities.

While Brealey and Myers (2003), defines free cash flow as cash not needed for operations or for reinvestment. Free cash flow is the amount of cash that the company used to pay dividends to investors after paying all the investments needed for growth. One of the problems of measurement in the definition of free cash flow of Jensen (1986) is about the "future project". Out projects future investment becomes difficult to measure due to several limitations. Gull (2001), argues it is difficult to measure the free cash flow from the definition Jensen (1986) for the entire project future cannot be directly identified and information on the level of discount the future that are relevant also unavailable, thus, a need for a proxy or measure / estimate).

The complexity of the definition of free cash flow of Jensen (1986), also submitted by, Brilsford et al. (2002), free cash flow is more complex than in the initial definition of Jensen (1986). The complexity of this definition, lead to differences over the size or estimates of free cash flow. But in many sizes estimate or proxy to free cash flow, there is one similarity that involved a net profit after tax (earnings after tax) and dividend payments. In this case, in general, free cash flow is measured by subtracting the net profit after tax with the obligation to pay dividends.

f) Investment Concept

Investing is basically the placement of the funds at this time with the hope to make a profit in the future (Halim, 2005). Investment is often interpreted as a commitment to allocate some funds to one or more assets (at the moment) that are expected to provide a return in the future. It can be concluded that the investment is the allocation or placement of funds in the form of assets, financial assets and real taking into consideration the specific risks and expecting return in the future. Term Investment Opportunity Set (IOS) proposed by Myers (2001), which outlines the terms of the investment company, namely as a combination of real assets (assets in place) and future investment options. According Gaver and Gaver (1993), the investment options for the future is not solely ditujukkan with the projects that are supported by research and development activities, but also with the ability to more companies to exploit the opportunity to take advantage compared to other companies that are similar in an industry group. The ability of the company's higher nature can not be observed (unobservable).

Subekti (2001), suggests that the proxy growth companies with IOS that has been used by researchers as Gaver and Gaver (1993) can be generally classified into three groups based on the factors used in measuring the values of the IOS. IOS classifications are as follows:

i) Proxy by the price,this proxy believe in the idea that the growth prospects of a company partly expressed in market prices. Growth companies will have a market value which is relatively high compared with the real assets (assets in place).

ii) Proxy by the investment, this proxy believe in the idea that a high level of investment activity relates positive at an enterprise value of IOS. Investment activity is expected to provide investment opportunities in the next period which increases in the company concerned.

iii) Proxy based variant, this proxy believe in the idea that an option will be more valuable when used to estimate the amount of variability in the size of the options that are growing, such as return variability underlying the increase in assets.

Based on research Kallapur and Trombley (1999), a proxy based on the price as a proxy of the most valid used, other than that the variable is a proxy of the most widely used by researchers in the field of finance in the United States (Gaver and Gaver, 1993) and in Indonesia (Ismiyanti and Hanafi, 2003). Even Kallapur and Trombley (1999) in Elloumi and Gueyie (2001) found that this proxy has a very high correlation with growth in the future. This is consistent with previous research.

Hartono (2003) stated that the ratio of market to book value reflects that the market assess the return on investment in the future from the expected return on equity. The difference between the market value and the book value of equity shows the investment opportunities of the company.

g) The concept of Risk and Return

According to Brigham and Houston (2001) defined as the risk of danger, catastrophe, the possibility of loss or damage. If investors buy shares of a speculative or even any kind of stock, investors took the risk of suffering a loss in the hope of benefit in kind.

In general, the risk is not always a negative connotation. According to Damodaran (2001) risk is not always associated with something bad. In the field of financial risk has a different meaning and broader. The more risk associated with the possibility to get rewards are not in accordance with what is expected, or vice versa when investing obtain yields greater than expected. Further said that the risk is a combination of the 'danger' and 'opportunity' in which the financial sector, the danger is defined as risks and opportunities is defined as the yield. Thus the outline can be said that the investment risk associated with the possibility of getting the results as expected. The greater the expected rate of return, the greater the risk assumed.

Basically, the risk is a deviation (standard deviation or variance) than expected with what happened. According to Gordon et al (1989) the risk is divided into two parts: (1) Market risk (systematic risk) (2) Risk of accounting (which can be analyzed by the variability in the dividend payout ratio, earnings, accounting beta).

Another opinion was delivered by Gardner and Trzcinka (1992), that risk can be divided into two: (1) Standard deviation of stock return (2) Beta (beta theoretically associated with debt levels). While Friend and Lang (1988) using ROAS = standard deviation of EBIT / total assets as a proxy for risk. Opinions are almost same was conveyed by Bagnani et al (1994) using standard deviation ROA to measure business risk. Also by Brailsford et al (2002) used a proxy standard deviation of EBIT as a risk assessment company. Demsetz and Lehn (1985), said that the risk can be measured by the standard error, Standard deviation stock market as well as with the Standard deviation rate-of return accounting.

The size of the risk of a more complete expressed by Ferri and Jones (1979) that the risk can be measured by various proxies such as: Business risk (variability in future income: sales revenue and pre-tax cash flow), either: (a) the coefficient of variation in sales (b) coefficient of variation in pre-tax cash flow (c) the standard deviation of standardization growth in sales (d) the standard deviation of standardization growth in cash flow, regardless relation to return, because investors always expect a level appropriate return on any investment risk it faces. According to Brigham et al. (1999), the notion of return is "measure the financial performance of an investment". Return used on an investment to measure a company's financial results.

According to Jones (2000) "return is the yield and capital gain (loss)". (1). Yield, that cash flow is paid periodically to shareholders (in the form of dividends), (2).Capital gain (loss), which is the difference between the stock price at the time of purchase by the share price at the time of sale. This is reinforced by Corrado and Jordan (2000) which states that "Return from investment security is cash flow and capital gain / loss". Based on the opinions that have been expressed, it can be concluded that stock returns are obtained advantages of owning a stock investor over its investments, consisting of dividends and capital gain / loss.

Dividends are company profits distributed to shareholders in a certain periodic. Capital gain / loss for the period represent the difference between the original stock price (the price at beginning of period end of the period). If the stock price at the end of the period is higher than the initial price, then the investor is said to be capital gains, whereas if the opposite happens, then the investor is said to acquire a capital loss.

According Jogiyanto (2003) the stock return is divided into two: (1) return the realization of a return that has occurred, (2) return expectations is the expected return will be earned by investors in the future. Based on the notion of return, that return of a stock is the result obtained from the investment by calculating the difference between the stock-price for the period to the previous period by ignoring dividends.

h) Corporate Governance

Organization of Economic Cooperation and Development (OECD) believes that corporate governance is the structure of the relationship and its relation to responsibilities among stakeholders comprising shareholders, board members, commissioners, managers, designed to encourage the creation of a performance competitive needed to achieve the main goals of the company.

Monks (2003) defines corporate governance as a system to regulate and control companies that can create added value for all stakeholders. Meanwhile, according to The Indonesian Institute for Corporate Governance (IICG), Corporate Governance is the process and structure are applied in running the company, with the main objective to increase shareholder value in the long term by taking into account the interests of other stakeholders. Meanwhile Cadbury Committee of the UK, as quoted by the Forum for Corporate Governance in Indonesia (FCGI, 2001) defines corporate governance as a set of rules that define the relationship between shareholders, managers, creditors, government, employees, and those of other interested parties both internally and externally with respect to the rights and responsibilities, or a system that directs and controls the company. There are two things that are emphasized in this concept is the importance of the rights of shareholders to corporate governance information correctly and in a timely manner as well as the obligation for companies to disclosure (disclosure) is accurate, timely, transparent to all the information the company's performance, ownership, and stakeholders.

3. Relationship between Theory and Concept of Corporate Values

Agency theory proposed by Jensen and Meckling (1976) stated that the ownership structure would have an impact on the value of the company. By the time the manager increased holdings in the ownership structure, it will reduce the incentive to maximize the profits of non-financial, and an influential negative way when control manager to the company's ownership provided significant enough to take over the other shareholders. The manager will set a high salary for himself, pay or receive a transfer price for the company above the market price, using the asset or cash position for personal gain or the allocation of resources for investment projects that can reduce the risk of ownership, but did not maximize the value of the company.

The theory of the ownership structure is determined by exogenous factors specific to the company's character is questioned by Demsetz (1983), which argues that it is the endogenous outcome of the process maximize the value of the company. Fama and Jensen (1983) also argues that the manager would always insist on the best results are achieved through the labor market, capital market, the market for products without ignoring the parts stock holding.

Consequently there is no systematic relationship between ownership structure and corporate value that can be expected. The ownership structure has an influence on Good Corporate Governance and the subsequent effect on the value of the company (Mangantar and Ali, 2015). Some researchers are not in line with it: Demsetz and Villalonga (2001), which measures konsentransi ownership of different sizes for the same variables and endogeneity issue, as in Welsch (2003). Demsetz and Lehn (1985), which uses variable ownership structure as an endogenous variable and found no relationship between ownership structure with the level of profit. Morck, Sheilfer and Vishny (1988) and McConnell and Servaes (1990), states that there is a linear relationship between the firm is non monotonic performance with the ownership structure.

Investment relationship with the firm value is tested in various studies. McConnel and Muscarella (1985) found a positive relationship between investments with abnormal return. Chung et al. (2002) also found the same thing but in a state where the condition of the quality of investment projects more attractive than affiliates. Baker et al (2003) suggested that the positive effects of investments with Firm value depending on the payment method investments. Especially companies that use equity to finance its investments, generally produce negative returns in the future. Titman et al. (2004) stated that the excess returns in the future depends on investment activity in the past, in which, the excess yield positive (negative) have a relationship with low (high) its investment activities.

The positive influence of investment to firm value is not caused by the agency conflicts (Jensen & Meckling, 1976). The manager will choose to allocate funds for capital expenditures at low risk, in order to reduce the present value of the project required to manage risk. Who refuse risk management is a source of agency cost (Easterbrook, 1984) because by selecting investments that is "safe", the manager will reduce the workforce level also shareholder wealth as a consequence of poor performance or in the extreme to say, bankcruptcy.

According to the agency theory standpoint, the risk adverse agent and which tend selfish will allocate resources (investing) which do not increase the value of the company. The problems this agency indicates that the value of the company will rise if the owners of ordinary companies controlling behavior management in order not to waste resources companies, either in the form of investment that is not feasible, or in the form of shirking.

Corporate governance is a system that regulates and controls the company that is expected to provide and enhance the company's value to its shareholders. Thus, the implementation of Good Corporate Governance are believed to increase the value of the company. Day Report (1994) argues that effective corporate governance in the long term can improve the company's performance and benefit its shareholders.

Morck, Shleifer and Vishny (1988) in Bernhart & Rosenstein (1998), which examines the relationship between managerial ownership and composition of the board of commissioners of the value of the company found that the company's value increases with an increase in managerial ownership up to 5%, and then decreases as managerial ownership 5 % -25%, and then increased again in line with the increase in managerial ownership on an ongoing basis.

Black et al. (2003) argued that the company will be better managed so that it can be more profitable higher dividends. Caused by outside investors can assess earnings or dividends equal to the higher of companies are implementing better corporate governance. The results showed that there was no evidence that companies with good corporate governance are more or pay higher dividends, but there is evidence that investors assess earnings or dividend stream the same rated higher for firms with better corporate governance.

Corporate finance theory is largely based on the market value of the company is mainly related to two variables. The second variable is the operating cash flow or returns the company expected, and the relationship between risk and production processes. Measurement of risk is through the volatility of operating cash flow and asset pricing model (CAPM), which is an important factor that affects the value of the company. Ammihud and Mendelson (2008) argued that the company's stock liquidity effect on the value of the company and concluded that the low liquidity of the stock, after scrutiny of risk and other relevant characteristics result in high yields expected. This means that the price of illiquid stocks are low. Mandelson and Ammihud research estimate the effect of liquidity on stock returns average shows that stock returns are expected to be high then the share price will be low. Illiquid shares sold at a discount rate. If used Tobins'q or P / E ratio to measure the value of the company then the yield will fall as stock prices fell.

Loderer and Roth (2005) investigated the discount price for limited liquidity. Research results show that there is a significant correlation between the price of liquidity in the various markets. Fang, Noe and Tice (2009) found a positive effect on the liquidity of the company's value.

Enterprise risk not significant effect on the value of the company. Research Lins (2003) examines the share ownership by management and ownership by blockholders non-management associated with the value of the company, with the finding that 50% of the control right companies on average are owned by blockholders (5% or more) and 60% owned by management to stake than management, an average of 40%. Group management is the type of owner who is the "largest ultimate" blockholders on control right. Parties that control the company on average in developing countries: a management group (69%), a company that non-affiliated with the management group (16%), government (7%), Finance institution, individuals and others (8%) , The value of the company would be lower if managerial entrenchment potentially increases (negative relationship). supports the hypothesis that there is a negative relationship between firm value (Tobin's q).

Risks in the company can be divided into two, namely the systematic risk and non-systematic risk. According to Brous and Kini (1992) found that the market value is influenced by beta (systematic risk of the company). If the value of the company is a reflection of the stock price on the market according to Jarrow (1978) that the systematic risk is a function of the market return, which can be analyzed by CAPM over the relationship. High return reflects the high value of the company. The relationship of risk and yield (proxy) on the value of the company is also expressed by Mackay and Moeller (2007), that there is a relationship between the risk and the value of the company.

The relationship between risk and maximizing the value of the company through stock prices, delivered by Ferreira and Laux (2007), which argues that the risk can be the size of a stock price informativeness due to good corporate governance and the quality of investment decisions. This argument is strengthened by Demsetz and Villalonga (2001), using Tobins Q. and states that there is a causal relationship between the variation (risk) with performance (value companies) that measures with Tobin's Q. The relationship of risk and the value of the company, are also widely studied of the condition of bankruptcy. The above opinion generally indicates that the risk of the company in the context of bankruptcy will affect the value of the company.

The relationship of risk and the value of the company in the context of the use of debt is also addressed by Merton (1974), which states that the value is a function of risk. According Bagnani et al., (1994) that the business risk affects corporate bond premium return.

All the above arguments suggest a link, either directly or indirectly between the risk and value of the company. But there is also an opinion stating that there is no relationship between the risk and the value of the company. According to Baron (1975), Risk does not affect the value of the company, because Baron research using the company with the same risk class. In general, these conditions are hard to find. Parengkuan (2008), which examined the manufacturing company listed in Jakarta Stock Exchange stating that the company's risk not significant effect on the value of the company.

4. Conclusion

Agency theory, the theory of the volume of stock trading, portfolio diversification theory, the theory of the structure of corporate ownership, investment, stock liquidity, risk and return, operating performance, and corporate governance is well aligned with the company's value. The previous section described how each of the theories and concepts that affect the value of the company, so expect the research that attempts to analyze the concept needs to continue to be considered and developed with the intent to be useful in corporate decision in particular in relation to the achievement of corporate goals.

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