

UNIVERSITAS INTERNASIONAL BATAM

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INFLUENCE ANALYSIS OF AUDIT QUALITY AND EARNING MANAGEMENT ON THE COSTS OF CAPITAL OF COMPANIES LISTED IN INDONESIA STOCK EXCHANGE

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ABSTRACT

This research aims to examine the factors potentially influencing the cost of capital on companies listed in Indonesia Stock Exchange. Variables serving as benchmarks for the cost of capital in this study were divided into the cost of equity, cost of debt, and the weighted average cost of capital. Meanwhile, earnings management and audit quality variables were determinants acting as independent variables.

This research applies the purposive sampling technique in the process of collecting 358 non-financial company listed in Indonesia Stock Exchange during 2013 to 2017. This study also applied a panel regression method by using the SPSS version 22 and Eviews as a tool for analyzing data.

This research proves audit quality and earnings management do not have significant negative effect on the cost of capital of companies listed on the Indonesia Stock Exchange which are proxy by utilizing three proxies simultaneously. Therefore, it can be concluded that there is no relation between audit quality and earnings management on the cost of equity, cost of debt, and the weighted average cost of capital which is a proxy of cost of capital.

Keywords: *Audit quality, cost of equity, cost of debt, earning management.*