

EFFECT OF EARNINGS VOLATILITY ON COST OF DEBT

THESIS

Presented as Partial Fulfillment of the Requirement for the Degree of

Sarjana Ekonomi (S1) in Accounting Program

Faculty of Business and Economics

University of Atma Jaya Yogyakarta



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**FACULTY OF BUSINESS AND ECONOMICS
UNIVERSITY OF ATMA JAYA YOGYAKARTA
2019**

Thesis

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March 15th, 2019

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(Drs. Budi Suprpto, MBA., Ph.D.)

AUTHENTICITY ACKNOWLEDGEMENT

I hereby declare that the thesis with the following title :

EFFECT OF EARNINGS VOLATILITY ON COST OF DEBT

is actually my own thinking and writing. I fully know and understand that my writings do not contain other's part(s) of other's writing, except for those that have been cited and mentioned in the references.

Yogyakarta, March 15th, 2019



Writer,

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ACKNOWLEDGEMENTS

All praise and thank to the Lord Jesus for all of His blessings and mercy so that the writer can complete the thesis entitled “Effect of Earnings Volatility on Cost of Debt”. This thesis presented as partial fulfillment of the requirements for the Degree of Sarjana Ekonomi (S1) in International Financial Accounting Program, Faculty of Business and Economics University of Atma Jaya Yogyakarta. The writers realizes that in the process of preparing this thesis, many parties have been involved and helped the writer to complete it. Therefore, the writer would like to thank :

1. Lord Jesus, I’m thankful for everything, all the blessings in my life, the strength to keep going, for always be there for me, never leaving me and always loving me.
2. My lovely family for your love, prayers, support, motivation, patient and attention. Thank you for continuing believed that I can finish my thesis and studies in Yogyakarta. You are my compass that guide me, the inspiration to reach heights, and my comfort when i occasionally falter.
3. Mrs Anggreni Dian K., SE., M.Si., Ak., CA., CSA. as my thesis advisor who has been very patient to guide me. Thank you for always guiding me with love and giving me so much knowledge in this process.
4. Dean, lectures and staffs in Faculty of Business and Economics, University of Atma Jaya Yogyakarta for the knowledge, patience and guidance.

5. The Kayanaqi and Tiga Dara . Thanks for the meaning of best friend that you guys always share to me. For all of your prayers, support and attention so that I can finish this thesis.
6. For Him. Who has been through everything with me and always be there for me. Thanks for your prayer, hugs, smile, advice, kindness and the time we laugh and cry together.
7. Gereja Toraja Pos Pelayanan Yogyakarta, KMT, IFAP 2914, Ikapmajaya and all of you that always be there to take care and being there for me in good and bad times, giving support and prayer.

The writer realize that this thesis is still far from perfect because of limited knowledge and limited ability. Therefore, any kind of suggestions and recommendation are very welcomed for writer to improve this thesis. The writer hope that this thesis would be useful in any kind of way for every parties.

Yogyakarta, March 15th, 2019

Writer,

Goldia Liku Sirupang Pongrangga

MOTTO

*"Where there's a will, there's a way.
Do the best and pray. God will take care of the rest"*

"Anonymous"

*"So do not fear, for I am with you;
do not be dismayed, for I am your God.
I will strengthen you and help you;
I will uphold you with my righteous right hand."*

"Isaiah 4:10"

Give thanks in all circumstances; for this is God's will for you in Christ Jesus.

"1 Thessalonians 5:18"

"Whatever you are, be a good one"

"Abraham Lincoln"

I present this work to :
Lord Jesus
&
for his greatest blessings :
My Family
Best Friend
those that i love and love me

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STOCK EXCHANGE AND INDONESIA CAPITAL MARKET
DIRECTORY 2012-2016

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Abstract

The research empirically tests the relationship between earnings volatility and cost of debt. The population of this research consist of all industries listed in Indonesian Stock Exchange and ICMD from 2012-2016 year period. Sampling method chosen is purposive sampling and there are 1,100 samples obtained from eight industries sector in Indonesia. The researcher used multiple regressions analysis to test the hypothesis.

The research results shows that EBIT and EBITDA as the proxies for measuring earnings volatility have positive effect on the cost of debt. Firms' profitability, liquidity and solvency are the three control variable where profitability has a negative influence on cost of debt but liquidity and solvency have non-significant influence on cost of debt. Furthermore, the results of the study indicate that there is a difference in the effect of earnings volatility on cost of debt that occurs in each industrial sector in Indonesia based on the Jakarta Stock Industrial Classification (JASICA) classification. Based on the results, the industrial sector which has a significant effect between earnings volatility and cost of debt is agriculture and miscellaneous sector.

Keywords : Earnings volatility, Cost of Debt, Profitability, Liquidity, Solvency