

**THE ROLE OF INVESTMENT OPPORTUNITY SETS (IOS)  
IN THE RELATION BETWEEN CAPITAL EXPENDITURES AND  
UNCERTAINTY OF FUTURE EARNINGS**

**Thesis**

**Presented as Partial Fulfillment of the Requirements  
for the Degree of Sarjana Ekonomi (S1) in Accounting Program  
Faculty of Economics Universitas Atma Jaya Yogyakarta**



**Compiled by:**

**Vini Agustiani**

**Student ID Number: 11 15 19167**

**FACULTY OF ECONOMICS  
UNIVERSITAS ATMA JAYA YOGYAKARTA  
MARCH 2015**

**Faculty of Economics**

**Universitas Atma Jaya Yogyakarta**

I hereby recommend that the thesis prepared under my supervision by

**Vini Agustiani**

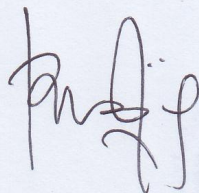
**Student ID Number: 11 15 19167**

Thesis entitled

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Be accepted as partial fulfillment of the requirements for the Degree of  
Sarjana Ekonomi (S1) in International Financial Accounting Program  
Faculty of Economics Universitas Atma Jaya Yogyakarta

Advisor,



**Pratiwi Budiharta, SE., MSA., Akt.**

**8<sup>th</sup> December 2014**



This is to certify that the thesis entitled

**The Role of Investment Opportunity Set (IOS) in the Relation between  
Capital Expenditures and Uncertainty of Future Earnings**

Presented by:

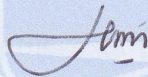
**Vini Agustiani**

**Student ID : 111519167**

Has been defended and accepted on March 13, 2015 towards fulfillment of the  
requirements for the Degree of Sarjana Ekonomi (S1)  
International Financial Accounting Program Faculty of Economics  
Universitas Atma Jaya Yogyakarta

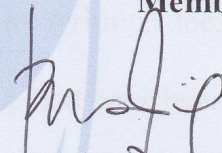
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**Chairman,**

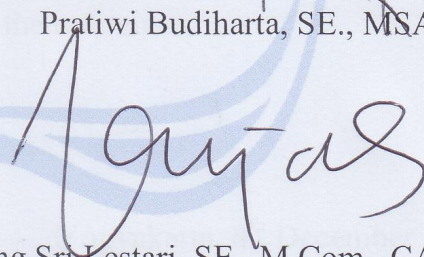


Dra. Dewi Ratnaningsih, MBA., Akt.

**Members,**



Pratiwi Budiharta, SE., MSA., Akt.

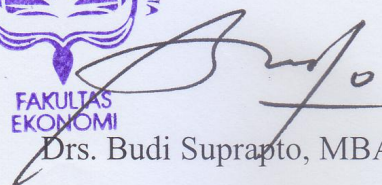


Jenjang Sri Lestari, SE., M.Com., CA., Akt.

**Yogyakarta, March 13, 2015**

**Dean of Faculty of Economics**

**Universitas Atma Jaya Yogyakarta**



Drs. Budi Supranto, MBA., Ph.D



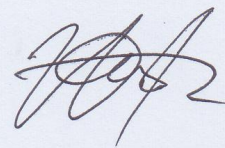
## AUTHENTICITY ACKNOWLEDGEMENT

I hereby declare that the thesis with the title:

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Is really my own thinking and writing, I fully knowledges that my writings does not contain others' or part(s) of others' writing, except for those that have been cited and mentioned it in the references.

Yogyakarta, 8<sup>th</sup> December 2014



Vini Agustiani

## MOTTO

**If we believe that tomorrow will be better**

**We can bear hardship today.**

**-Thich Nhat Hanh-**

*Always be responsible to  
every commitment you have decided....*

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I aware that this thesis is far from perfect. So suggestions or recommendations are needed in order to improve this thesis. I hope that my writing can be useful for everyone. *Sabbe Satta Bhavantu Sukhitatta* May all being be happy.....

Yogyakarta, 28<sup>th</sup> January 2015

Vini Agustiani

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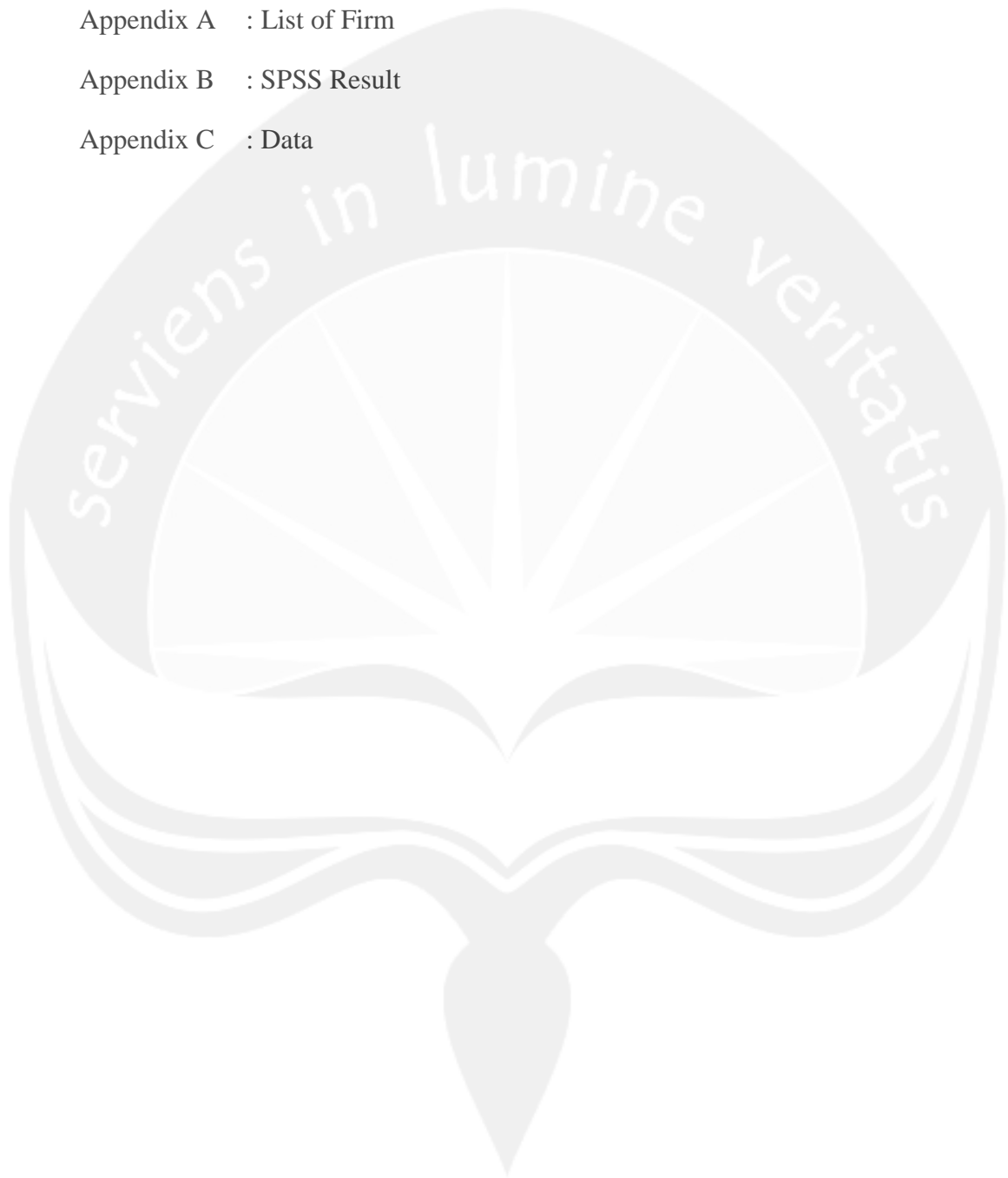


## LIST OF APENDICES

Appendix A : List of Firm

Appendix B : SPSS Result

Appendix C : Data



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**Vini Agustiani**  
**International Financial Accounting Program**  
**Faculty of Economics**  
**Universitas Atma Jaya Yogyakarta**

**Supervised by:**  
**Pratiwi Budiharta, SE., MSA., Akt.**

**Abstract:**

This study emphasizes on examining the moderating effect of Investment Opportunity Sets (IOS) in the relation between Capital Expenditures and Uncertainty of Future Earnings. I estimated that the IOS can mitigate the positive effect of capital expenditures to Uncertainty of future earnings. Since, the greater the IOS, the firm will have more option in valuable investments which have more certain return. Thus, by executing those valuable investments, firm can reduce its future earnings uncertainty that is caused by the capital investment. This study also can reveal the investment behavior of Indonesian firms, especially the manufacturing firms. By using 299 samples which are taken from 80 listed manufacturing firms from 2006- 2009, it found that the capital expenditures have positive effect towards the uncertainty of future earnings. Moreover, the IOS is proven to be able to mitigate that positive effect and make the effect become negative. Therefore, the manufacturing firms in Indonesia are proven to be able to execute the valuable opportunity and invest in the prospective investment.

**Keywords** : *capital expenditures; capital investments; Investment Opportunity Sets; uncertainty of future earnings.*