

**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**



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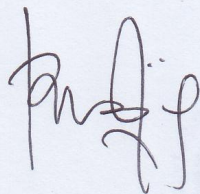
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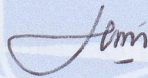
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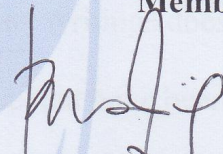
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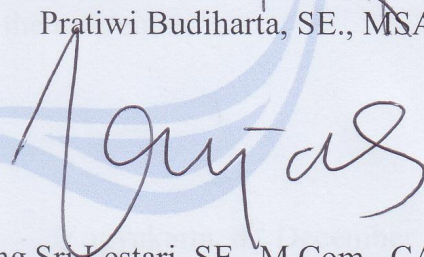


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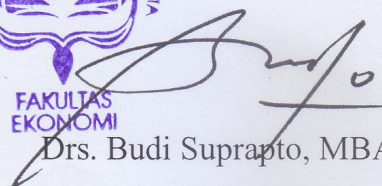


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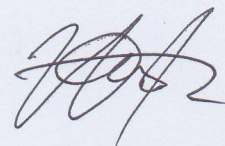
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I hereby declare that the thesis with the title:

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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, 8th 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, 28th January 2015

Vini Agustiani

TABLE OF CONTENT

TITLE PAGE.....	i
SUPERVISOR APPROVAL.....	ii
THESIS APPROVAL.....	iii
AUTHENTICITY ACKNOWLEDGEMENT.....	iv
MOTTO.....	v
ACKNOWLEDGEMENT.....	vi
TABLE OF CONTENT.....	viii
LIST OF TABLES.....	xi
LIST OF PICTURE.....	xii
LIST OF APPENDICES.....	xiii
ABSTRACT.....	xiv
CHAPTER I: INTRODUCTION.....	1
1.1 Background.....	1
1.2 Research Questions.....	6
1.3 Research Objectives.....	7
1.4 Research Contributions.....	7
1.5 Data Analysis.....	8
1.6 Writing Structures.....	9
CHAPTER II:LITERATURE REVIEWS AND HYPOTHESIS DEVELOPMENT.....	11
2.1 Earnings.....	11
2.2 Investment Decisions.....	14
2.2.1 Short-term Investment.....	15
2.2.2 Financial Assets Investment.....	15

2.2.3 Long-term Investment	16
2.3 Investment Opportunity Sets	18
2.4 Hypothesis Development	20
CHAPTER III: RESEARCH METHODOLOGY	25
3.1 Type of Research.....	25
3.2 Population and Sample	25
3.2.1 Population.....	25
3.2.2 Sample	26
3.3 Type and Data Collection Method	27
3.4 Research Method	27
3.4.1 Research Variable.....	28
3.4.1.1 Dependent Variable	28
3.4.1.2 Independent Variable	30
3.4.1.3 Moderating Variable	30
3.4.1.4 Control Variables	32
3.5 Research Model.....	34
3.6 Classical Assumption Test	35
3.6.1 Normality Test.....	35
3.6.2 Multicollinearity Test	36
3.6.3 Heteroscedasticity Test.....	36
3.6.4 Autocolleration Test	37
3.7 Hypothesis Testing	38

CHAPTER IV: DATA ANALYSIS AND DISCUSSION	40
4.1 Descriptive Statistics	40
4.2 Normality Test.....	41
4.3 Multicollinearity Test	45
4.4 Heteroscedasticity Test.....	47
4.5 Autocolleration Test	48
4.6 Regression Analysis	49
4.6.1 UFE and CAPEX.....	51
4.6.2 Moderating Effect of IOS.....	52
4.7 Discussion	53
CHAPTER V: CONCLUSIONS.....	57
5.1 Conclusions	57
5.2 Limitation and Suggestion.....	58

LIST OF TABLES

Table 3.1	: Sample Selection
Table 4.1	: Descriptive Statistics
Table 4.2	: Normality test before excluding outlier data
Table 4.3	: Normality test after excluding outlier data
Table 4.4	: Normality test after transformation
Table 4.5	: Normality test after trimming
Table 4.6	: Multicollinearity test
Table 4.7	: Multicollinearity test without moderating variable
Table 4.8	: Durbin-Watson test
Table 4.9	: Regression Result

LIST OF PICTURES

Graph 4.1 : Heteroscedasticity test



LIST OF APENDICES

Appendix A : List of Firm

Appendix B : SPSS Result

Appendix C : Data



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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.*