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WIDER INFLUENCE OF VOLUNTARY DISCLOSURE AND QUALITY OF INCOME ON COST OF CAPITAL
(Empirical Study of banks listed on the Indonesia Stock Exchange in 2012-2013)

Yolifiandri[1]

[1]*Department of Management, Kusuma Negara Business School, yolifiandri@stie-kusumanegara.ac.id*

Abstract

For companies in Indonesia that have gone public or registered in the capital market are required to submit information about the company's activities in the form of financial reports and annual reports. Companies listed on the capital market are expected to be more transparent in disclosing their company's financial information. The information asymmetry that occurs between managers and shareholders as users of financial statements causes shareholders to not be able to observe the company's overall performance and prospects perfectly. In situations where shareholders have less information than managers, managers can take advantage of the flexibility they have to carry out earnings management. Based on the results of the analysis and discussion in this study, the conclusion is voluntary disclosure, asymmetry of information produces an insignificant negative direction on the cost of equity capital, while for earnings management variables produce a positive and insignificant relationship to the cost of equity capital. This is because investors consider that at this time, issuers or companies that issue new common shares are covering their operational and investment debts, so the company is less interested in investors.

Keywords: Information Asymmetry, Earnings Management, Stocks, Corporate Governance.

1. Introduction

One study that proves the benefits of a corporate governance mechanism in which there is earnings quality is Jiang, Lee, and Anandarajan (2008). They concluded that companies with higher governance scores had a negative effect on lower discretionary accruals or higher earnings quality. This study uses a corporate governance score of 4,311 observations from 2002 to 2004, so for this, it requires disclosure practices to help decision-makers such as investors, creditors, and other users of information in anticipating fast-changing economic conditions (Almilia and Retrinasari, 2007). This raises demands faced by public companies to expand disclosure practices in the form of an annual report.

Disclosure is interpreted to have a relationship with information, both financial statements and additional information that can be in the form of footnotes, post statement events, management analysis of operations for years to come, financial and operating forecasts, disclosure of financial statements and expansion segments outside the historical cost (Astika, 2011: 37). According to Sovi in Fajar (2009), there are two types of disclosures, namely mandatory disclosure where companies are required to make minimum disclosures in accordance with applicable regulations. Second, voluntary disclosure (voluntary disclosure), namely the disclosure of items of information made voluntarily by the company without being required by applicable regulations.

But the fact is, the size of the company's capital costs is not affected by increased voluntary disclosure and information asymmetry. As in Artha Graha Internasional (INPC) in 2009 voluntary disclosure increased, and the level of information asymmetry proxy with bid-ask spread also increased, while the level of capital costs actually decreased, whereas according to the theory if voluntary disclosure was expanded the level of information asymmetry will decrease, and if the level of information asymmetry increases, the cost of capital will also increase (Milcia, 2011).

The information asymmetry that occurs between managers and shareholders as users of financial statements causes shareholders to not be able to observe the company's overall performance and prospects perfectly. In situations where shareholders have less information than managers, managers can take advantage of the flexibility they have to carry out earnings management.

Some researchers have found that information asymmetry can affect earnings management. Agency theory (Agency-Theory) implies the existence of information asymmetry between managers as agents and owners (in this case shareholders) as the principal. Information asymmetry arises when managers are more aware of internal information and company prospects in the future than shareholders and other stakeholders. associated with an increase in the value of the company, when there is information asymmetry, managers can give signals about the condition of the company to investors to maximize the value of the company's shares. The signal given can be done through the disclosure (disclosure) of accounting information (Tyasari, 2009).

Researchers are interested in conducting research in banking because Banking is a financial business that is demanded to have high openness and trust. In addition, in the opinion of Mangena et al. (2010) also found the banking sector as the highest disclosure of intellectual capital compared to other industries. This finding reinforces the argument that the banking sector should be sensitive to this type of disclosure.

In addition, there is also research on voluntary disclosure that has also been carried out in Indonesia. Based on Sirait's research (2012) in his research which aims to examine the relationship between the cost of equity capital and the level of corporate social responsibility (CSR) and disclosure of intellectual capital in the Indonesian banking sector. Sirait (2012) examines how the relationship between the level of voluntary disclosure of CSR and intellectual capital with the cost of equity capital of banking companies in Indonesia. While this study examines the broad influence of voluntary disclosure, earnings quality on capital costs in banks in Indonesia, the difference is if the research conducted by Sirait (2012) examines voluntary CSR disclosure while this research does not focus on voluntary CSR disclosure.

The effect of disclosure on the cost of equity capital itself is an interesting problem to study. Based on the background of the above statement, the researcher is interested in conducting a special study in banking in Indonesia with the title "THE EFFECT OF VOLUNTEER DISCLOSURE, PROFIT QUALITY OF CAPITAL COSTS (Empirical Study of banks registered on the Indonesia Stock Exchange 2012-2013).

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2. Literature Review

Agency Theory

In agency theory, agency relationships arise when one or more people (principals) employ another person (agent) to provide a service and then delegate decision making authority to the agent (Jensen and Meckling, in Priantinah (2008). as manager of the company knows more about internal information and prospects of the company in the future compared to the owner (shareholder), therefore as a manager, the manager is obliged to give signals about the company's condition to the owner, but the information conveyed is sometimes received not according to the conditions real company This condition is known as asymmetric information or asymmetric information (Haris, 2004) Asymmetry between management (agent) and owner (principal) can provide an opportunity for managers to perform earnings management.

Information Asymmetry

Information asymmetry is information disparity between managers and shareholders or other stakeholders, where managers are more aware of internal information and future prospects of the company than those shareholders. The smaller the information asymmetry that occurs between managers with shareholders or other stakeholders, the smaller the cost of own capital borne by the company (Ifonie, 2012)

The information asymmetry perspective implies that managers are trying to reduce information asymmetry in order to maximize the value of the company in the desired way. When there is information asymmetry, disclosure decisions made by managers can affect stock prices because information asymmetries between investors who are more informed and less informed will incur transaction costs and reduce liquidity in a company's stock market. Measurement of the level of information asymmetry is often proxy with liquidity. Liquidity in a market has various definitions and interpretations. The simplest definition of liquidity is the ability to conduct transactions without incurring significant costs.

Earning Management

According to Schipper in Saiful (2004) that defines earnings management as an intervention with a specific purpose to the external financial reporting process by deliberately obtaining some personal benefits. Whereas Setiawati and Saputro (2004) state that earnings management is the intervention of management in the process of preparing external financial statements in order to achieve a certain profit level with the aim to benefit himself (or his own company). The same thing also expressed by Copeland in Utami (2005) that defines earnings management as, "some ability to increase or decrease reported net income at will." This means that earnings management includes management efforts to maximize or minimize profits, including income according to management desires. According to Scott in Saiful (2004), earnings management is the selection of accounting policies by managers of existing accounting standards and can naturally maximize their utility and or market value.

Earnings management occurs when managers use their judgment or assessment in financial reporting and in structured transaction design to change financial statements that mislead stakeholders about the basis of a company's economic performance or to influence contractual outcomes that are dependent on reported accounting numbers. According to Beneish in Meutia (2004), revealed that there are at least three ways in detecting the existence of earnings management practices, namely: a) an approach that examines aggregate accruals and uses a regression model to calculate expected and unexpected accruals, b) approaches that emphasize accruals specifics such as doubtful debt reserves, or accruals in specific sectors such as loss claims in the insurance industry, c) approaches that examine the discontinuity in the distribution of income.

The same thing also expressed by Scott (2012), that earnings management is the selection of accounting policies by managers of existing accounting standards and can scientifically maximize their utility and or market value of the company. Earnings management practices will result in reported earnings quality being low (Velury and Jenkins, 2006). The company's management has the opportunity to choose an accounting method to determine the amount of profit desired and also has the choice in presenting disclosure of information relating to the company.

Cost of Equity Capital

According to Mardiyah (2002), the cost of equity capital is the costs incurred to finance sources of funding (source financing). Santoso in Vidiyanto (2009) defines the cost of equity capital as costs that must be incurred to obtain capital, both from debt, preferred shares, ordinary shares, and retained earnings to finance company investment. Whereas Gitman (2003) in Vidiyanto (2009) defines the cost of equity capital as the rate of return that companies must obtain in the projects they invest to maintain market value and attract funds. The basic assumptions used in the estimation of the cost of equity capital are the business risk and financial risk is fixed (relatively stable). The cost of equity capital is calculated on the basis of the long-term source of funds available to the company. There are four sources of long-term funds, namely: (a) long-term debt, (b) preferred shares, (c) ordinary shares, (d) retained earnings.

Framework

The framework includes the research model and the mindset of the study. From the previous description, the research model is arranged as follows:

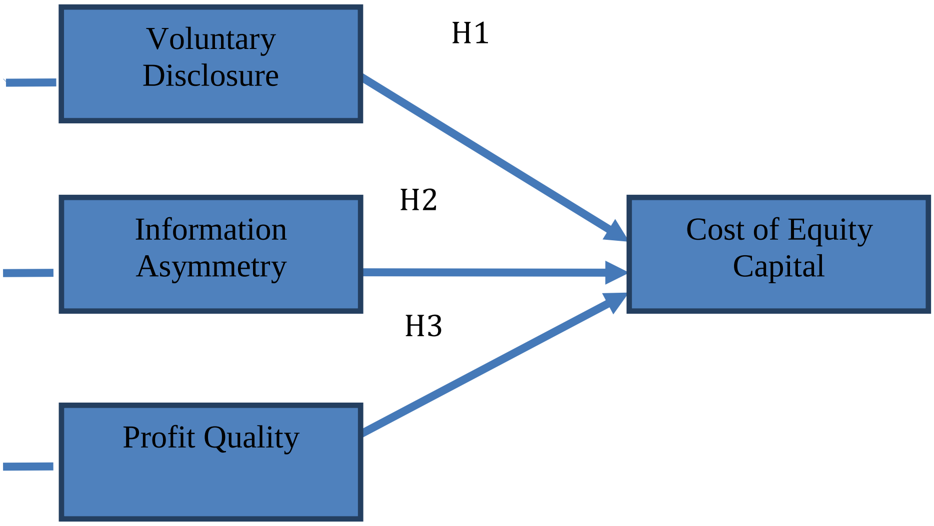

Figure 1. Research Framework

Hypothesis:

Based on the results of the description in the existing literature review and the concept of mindset, the formulation of hypotheses that can be put forward for this research is as follows:
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H1: There is an Influence of Voluntary Disclosure on Cost of Equity Capital
H2: There is the Effect of Information Asymmetry on the Cost of Equity Capital
H3: There is the Effect of Profit Quality on the Cost of Equity Capital

3. Methods

The research design used in this study is causal and descriptive research design. The causal research design is used to measure the relationship between voluntary disclosure, information asymmetry, and earnings quality on the cost of equity capital. Meanwhile, a descriptive research design is used to describe or explain the variables studied and see the relationship and dependence of variables on sub-variables.

Population

The population in this study are banks that have been listed (listing) on the IDX. The bank has at least published and published an annual report for 1 year, from 2012 to 2013, and its shares must be listed on the Indonesia Stock Exchange no later than January 2012. The choice of banking as a population is intended to avoid the bias caused by industrial effect.

Sample

A sample is a collection of data taken or selected from a population. The sampling technique in this study was purposive sampling, which is a sample that was deliberately determined based on certain criteria or systematic set by the researcher. This is because researchers want to obtain information from specific samples.

The criteria for the sample in this study are:

a. The company is a financial services company that has gone public or listed on the Indonesia Stock Exchange in the 2012-2013 period.
b. The company did not experience delisted and its shares were actively traded during the period of 2012-2013. According to Circular issued by PT Indonesia Stock Exchange, SE.03/BEJ/II-1/I/1994, the shares are said to be active if the trading frequency is for three months as much as 75 times or 300 times in one year.
c. The company publishes annual financial statements expressed in rupiah (Rp) for the period ended December 31, 2012 - 2013, published through www.jsx.co.id, print media, or the company's official website.
d. The company has complete data on corporate governance determined by the company, including data on members of the company's board of commissioners, audit committee, managerial ownership, and institutional ownership of the company.

Simultaneous Test

The F test is used to test the null hypothesis that the coefficient of compounding in the population, R2, is zero. The significance test includes testing the significance of the overall regression equation and the specific partial regression coefficients. The whole test can be done using the F statistic.

This test statistic follows the F distribution with degrees of freedom k and (n-k-1) (Malhotra, 2006). If the overall null hypothesis is rejected, one or more population compound regression coefficients have a value not equal to 0.

The partial F test involves breaking down the total number of squares of the SSreg regression into the components associated with each independent variable. In a standardized approach, this is done by assuming that each independent variable has been added to the regression equation after all other independent variables have been included. The increase in the number of squares described, caused by the addition of an independent variable XI, is a component of the variation caused by that variable and is symbolized by SSx1. The significance of the partial regression coefficient for the variable was tested using an incremental F statistic (Malhotra, 2006).

Partial Test

T-test basically shows how far the influence of one independent variable individually in explaining the variation of the dependent variable (Ghozali, 2001).

The steps for conducting a Hypothesis Test for Regression Coefficients are:

1. Formulation of the Zero Hypothesis (H0) and Alternative Hypothesis (H1)

H0 : $\beta1 = 0$

There is no significant effect of each independent variable (X1, X2,) on the dependent variable (Y).

H1 : $\beta0$ # 0

There is a significant effect of each independent variable (X1, X2,) on the dependent variable (Y).

2. Determination of the price of t table based on the level of significance and the degree of freedom
   - Significance level = 5% (0.05)
   - Degree of freedom = (n-1-k)

4. Results and Discussion

Hypothesis testing

Hypothesis testing is done in two stages, t-test and f-test. The influence of independent variables on dependent variables partially will be known using the t-test. The influence of independent variables on the dependent variable simultaneously will be seen using the f test.

Partial Test

The results of data processing using a statistical program using SPSS 16 for the t-test are shown in the table below. Tests to determine the effect of each independent variable partially on the dependent variable are as follows:

1. The effect of voluntary disclosure on Cost of equity capital is tested using the following hypothesis:

H_0 :	voluntary disclosure = 0,	it means that the voluntary disclosure variable does not significantly influence the cost of equity capital.
Ha :	voluntary disclosure≠ 0,	it means that the voluntary disclosure variable has a significant effect on the Cost of equity capital.

Table 1

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.534	.407		1.312	.201
	voluntary disclosure	-.106	.365	-.057	-.291	.774
	Information Asymmetry	-.002	.003	-.129	-.663	.513
	Profit management	1.296E-5	.000	.256	1.258	.220

a. *Dependent Variable: Cost of equity capital*

Source: Processed research data, 2019

Criteria:

H_0 is accepted if $t_{count}>t_{table}$ for α=5% or significance >0.05 Ha is accepted if $t_{count}<t_{table}$ for α=5% or significance <0.05

The t_{count} for the voluntary disclosure variable is -0.291, and the t_{table} for df=N-3 and a=5% is known to be 1.701. Thus, the value of t_{count} is smaller than the value of t_{table} (-0.291<1,701), so Ha is accepted. By looking at the significance value of voluntary disclosure, the results of the hypothesis also show the same results, where the significance value of 0.774 is greater than 0.05, so it can be concluded that voluntary disclosure individually (partial) does not have a significant effect and has a negative path to the Cost of equity capital.

1. The effect of information asymmetry on the Cost of equity capital is tested using the following hypothesis:

H_0 :	Information asymmetry = 0,	it means that the information asymmetry variable does not significantly influence the cost of equity capital.
Ha :	Information asymmetry ≠ 0,	*it means that the information asymmetry variable has a significant effect on the Cost of equity capital.*

Criteria:
H_0 is accepted if $t_{count} > t_{table}$ for α=5% or significance >0.05 Ha is accepted if $t_{count} < t_{table}$ for α=5% or significance <0.05
The tcount for the Information asymmetry variable is -0,663, and the t table for df = N-3 and a = 5% is known to be 1.701. Thus, the calculated t_{count} is smaller than the t_{table} value (-0.673<1,701), so that H_o is accepted. By looking at the significance value of Information asymmetry, the results of the hypothesis also show the same results, where the significance value of 0.513 is greater than 0.05, so it can be concluded that the information asymmetry individually (partial) does not have a significant effect on the Cost of equity capital.

2. The effect of earnings management on the cost of equity capital is tested using the following hypothesis:

H_0 :	Profit management = 0,	it means that the earnings management variable does not significantly influence the cost of equity capital.
Ha :	Profit management ≠ 0,	This means that earnings management variables significantly influence the cost of equity capital.

Criteria:
H_0 is accepted if $t_{count} > t_{table}$ for α=5% or significance >0.05 Ha is accepted if $t_{count} < t_{table}$ for α=5% or significance <0.05
The t_{count} for the earnings management variable is 1.258, and the t_{table} for df=N-3 and a=5% is known to be 1.701. Thus, the calculated t_{count} is greater than the value of t_{table} (1.258> 1.701), so H_0 is accepted. By looking at the significance value of earnings management, the results of the hypothesis also show the same results, where the significance value of 0.220 is greater than 0.05, so it can be concluded that earnings management individually (partial) does not have a significant effect on the Cost of equity capital. and has a negative flow to the Cost of equity capital.

Simultaneous Influence Analysis with F Test

The calculated F_{count} for the voluntary disclosure variable is 1.089, and the F_{table} for df=N-3 and a=5% is known to be 2.96. Thus, the calculated F_{count} is smaller than the F_{table} value (1.089<2.96), so H_0 is accepted. By looking at the significance value of earnings management, information asymmetry, voluntary disclosure of the results of the hypothesis also shows the same results, where the significance value of 0.371 is greater than 0.05, so it can be concluded that earnings management, information asymmetry, voluntary disclosure simultaneously has no effect significant and has a negative flow to the Cost of equity capital.

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.354	3	.118	1.089	.371[a]
	Residual	2.812	26	.108		
	Total	3.166	29			

a. *Predictors: (Constant)*, Earnings management, Information Asymmetry, voluntary disclosure

b. *Dependent Variable: Cost of equity capital*

Source: Processed research data, 2019

Coefficient of Determination

Analysis of the coefficient of determination aims to find out how much the ability of independent variables (earnings management, information asymmetry, voluntary disclosure) partially in explaining the dependent variable (Cost of equity capital). From the results of the analysis using the SPSS Ver. 16.00 can be seen the value of R2 (Adjusted R Square) in table 5.10 below:

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.334[a]	.112	.009	.32888

a. Predictors: (Constant), Earnings management, Information Asymmetry, voluntary disclosure

b. Dependent Variable: Cost of equity capital

From table 5.10 above the results of a correlation r of 0.112, this means that the relationship between earnings management, information asymmetry, voluntary disclosure and cost of equity capital has a positive and significant relationship to profit after tax. If the value of earnings management, information asymmetry, voluntary disclosure increases, the value of the cost of equity capital will also increase. The coefficient of determination R2 (Adjusted R Square) of 0.112 or 11.2%. meaning the contribution of independent variables Earnings Management, Information Asymmetry, voluntary disclosure of Cost of equity capital is 11.2% while the remaining 88.8% is explained by other variables that are not researched.

Simultaneous Influence Analysis with F Test

This test is to determine the effect of the work environment (X1) and motivation (X2), simultaneously or together on employee performance variables (Y) with the F test. To find out the F table, the degree of freedom is divided into two, namely the degree of freedom as numerator or df (n1) and degree of freedom as denominators or df (n2).

Information:

- **a.** Number of respondents (n) = 60 people
- **b.** The number of independent variables (k) = 2
- **c.** Significance level α = 5%

Degree of freedom, search using:

df (n1) = k – 1= 2 – 1 = 1

df (n2) = n – k = 60 – 2 = 58

with a value of df (n1) = 1 and df (n2) = 58 and a significance level of 5% or 0.05, the F table value is 4.01. The F test table in this study is as follows:

Table 3
Hypothesis Testing Results with Simultaneous Test (F Test)

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	689,904	2	344,952	58.030	,000[b]
	Residual	338,829	57	5.944		
	Total	1028,733	59			

a. Dependent Variable: Kinerja Karyawan

b. Predictors: (Constant), Motivasi, Lingkungan kerja

Sumber Data: Data Penelitian yang Diolah (2018)

Source: Processed research data, 2019

Based on the data above, this simultaneous test can be seen in the F test value and is significant. Because the significant probability results are much smaller than 0.05 and the value of Fcount=58.030 is greater than Ftable=4.01 then Ha3 is accepted. This shows a simultaneous effect on employee performance.

Coefficient of Determination

The coefficient of determination (R2) essentially measures how far the model's ability to explain the variation of the dependent variable. The coefficient of determination (R2) can be seen in Table 5.14 below:

Table 4
Determination Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,819[a]	,671	,659	2,438

a. Predictors: (Constant), Motivasi, Pelatihan
b. Dependent Variable: Kinerja Karyawan

Source: Processed research data, 2019

The results of calculations using SPSS version 25 can be seen that the coefficient of determination (R square) obtained is 0.671. This means that 67.1% of work environment and motivation influence employee performance while the remaining 32.9% employee performance is affected by other variables not examined in this study.

Discussion

The t_{count} value for the voluntary disclosure variable is -0.291, and the t_{table} for df=N-3 and a=5% is known to be 1.701. Thus, the t_{count} value is smaller than the t_{table} value (-0.291<1.701), so H_0 is accepted. So it can be concluded that the voluntary disclosure individually (partial) does not have a significant influence and has a negative flow to the Cost of equity capital. In this study, no significant effect was found due to the issue of rising fuel prices which caused economic turmoil in Indonesia so that many investors held back on buying and selling their shares given the unstable economic conditions in Indonesia. This situation further aggravated the condition of the capital market at the time and eventually triggered the asymmetry of the company's stock information. Therefore, a high level of voluntary disclosure becomes meaningless because the conditions outside the company are increasingly great to shake the capital market. The results of this study are supported by research conducted by Adhi and Mutmainah (2012) and Lestari (2010) who found a pattern of negative relationships between voluntary disclosure and information asymmetry. The insignificant effect between voluntary disclosure and information asymmetry is also supported by research by Adriani (2013). In this research, the effect of voluntary disclosure is insignificant to the cost of equity capital where it indicates that the level of detail, timeliness, and clarity of disclosure by the company are still inadequate so that the management has not felt the benefits of the disclosure. The results of this study are consistent with the results of research conducted by Purwanto (2005) and Santoso (2010) which show no significant effect between voluntary disclosure and cost of equity capital.

The t_{count} value for the Information asymmetry variable is -0.663, and the t_{table} for df=N-3 and a=5% is known to be 1.701. Thus, the t_{count} value is smaller than the t_{table} value (-0.673<1.701), so that H_O is accepted. By looking at the significance value of Information asymmetry, the results of the hypothesis also show the same results, where the significance value of 0.513 is greater than 0.05, so it can be concluded that the information asymmetry individually (partial) does not have a significant effect on the Cost of equity capital. this is consistent with the results of the study (Ifoni, 2012) This is because this information gap will increase company risk. High risk causes the rate of return requested is high, so the level of cost of equity capital issued by the company is also high. The level of information asymmetry represented by the bid-ask spread does not significantly influence the cost of equity capital. The magnitude of information asymmetry cannot directly explain its effect on the cost of equity capital. The results of this study are not in accordance with previous studies (Komalasari and Baridwan, 2001; Mardiyah, 2002; Murni, 2003; Amurwani, 2006) which states that information asymmetry has a significant effect on the cost of equity capital. The higher the voluntary disclosure area of a company, it will enhance the value of the company aimed at increasing demand for securities and increasing the price of shares owned by a company which will ultimately have an impact on reducing the cost of capital of the company. This research becomes insignificant because investors consider that at this time, issuers or companies that issue new common shares are covering their operational and investment debts. So that issuers that issue new ordinary shares are less attractive to investors. So the voluntary disclosure made by the company has no effect on the amount of cost of equity capital issued by the company.

The t_{count} value for the earnings management variable is 1.258, and the t_{table} for df=N-3 and a=5% is known to be 1.701. Thus, the t_{count} value is smaller than the t_{table} value (1.258<1.701), so that H_O is accepted. By looking at the significance value of earnings management, the results of the hypothesis also show the same results, where the significance value of 0.220 is greater than 0.05, so it can be concluded that earnings management individually (partial) does not have a significant effect on the Cost of equity capital. and has a negative flow to the Cost of equity capital. The results show a negative direction because investors have not correctly anticipated information related to working capital accruals as a proxy for earnings management even though the cost of equity capital is the discount rate used by investors to assess future cash flow increases. The higher the ratio of working capital accruals to sales (earnings management proxy), the lower the cost of equity capital. The results of this study are in line with research conducted by Richardson (1999), Sloan (1996), Xie (2001), Beneish (2005) and Mahanani (2006).

In addition, investors consider other things to invest in a company, such as economic conditions and political stability when it has an important influence. In 2013 there was a political condition in which the Indonesian state was preparing to face the 2014 elections. The economy was stagnant. This happens because investors are waiting and expecting certainty in the investment climate where the government is Capable and Acceptable that is expected by Investors. If there is a conducive climate for investment, investors will be excited and the industry will run well.

5. Conclusion

Based on the results of the analysis and discussion in this study, the conclusion is the variable voluntary disclosure and information asymmetry produces a negative direction that is not significant to the cost of equity capital, while for earnings management variables produce a positive and insignificant relationship to the cost of equity capital. This is because investors consider that at this time, issuers or companies that issue new common shares are covering their operational and investment debts, so the company is less interested in investors. Through the analysis results above, it can also be seen that the results of the indirect effect test can be explained as follows, it can be concluded that the voluntary disclosure individually (partial) has an inverse relationship and does not have a significant effect Cost of equity capital, which is increasingly both voluntary disclosure can reduce the cost of capital.

Test results on the influence of information asymmetry on the cost of equity capital can be concluded that the information asymmetry individually (partial) has a directly proportional but not significant relationship where the higher the information asymmetry occurs, it will cause the Capital Costs will be high.

The test results on the effect of earnings management on the cost of equity capital can be concluded that there is an inverse but insignificant relationship between earnings management and capital costs ie the higher the earnings management occurs, the higher the cost of capital will be.

The test results of all these Independent Variables did not occur of significance, because Indonesia's political and economic conditions during 2013 had an effect that was enough to make the industry stagnant and investors in the Stock Exchange only saw and studied the conditions of Indonesia that would face the election at that time.

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