ABSTRACT

This research examine the factors that affecting Earnings Response Coefficient (ERC), and whether Investment Opportunity Set (IOS) could enhance the relationship between independent variables and ERC. There are four independent variables used in this research, which are leverage, firm size, audit quality, and internal to external equity ratio. Investment Opportunity Set (IOS) play a role as moderating variable.

This research use a quantitative approach, in which the sample used is 216 listed manufacturing companies after removing the outliers in Indonesia Stock Exchange (IDX) for period 2012-2013. The author have three models, the first and second model will be conducted using Multiple Regression Analysis, and the third model will be executed using Moderated Regression Analysis (MRA). Calculation and hypothesis testing is using SPSS Statistics 21.0 and EViews 5.10.

The result shows that all independent variables: leverage, firm size, audit quality and internal to external equity ratio do not significantly influence ERC. In addition, the result of Moderating Regression Analysis (MRA) indicates that IOS enhance the relationship between all independent variables and ERC as homologizer moderating variable.

Keyword: Earnings Response Coefficient (ERC), Investment Opportunity Set (IOS), Leverage, Firm Size, Audit Quality, Internal to External Equity Ratio, Moderated Regression Analysis (MRA).