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Abstract

Dewi Sekar Mayang, 0606056215, The company characteristic relationship with implied cost of capital in manufacture company and variety industry company listed in Indonesia Stock Exchange period 2003 - 2007, xiv + 91 pages + 9 tables + 1 pictures + 6 articles + 24 bibliographies (1984-2007).

Today people use financial report as a tools to analyze profit or deviden prediction in the future. Profit can be use as indicator to evaluate operational performance the firm as Investor and Creditor use it for evaluate the management work, earning power prediction dan gain prediction in the future.

Capital is one of production factor that firm needs. Using for get another fresh money. So that way Cost of Capital more important use as connection between investment decision and capital cost decision.

The problem of this case is :

1. Is there relationship between characteristic firm and cost of capital in manufacture company and variety industry company?
2. Is there a different relationship between characteristic firm and cost of capital in manufacture company and variety industry company?

The writer used quantitative approach in this research; it produced the descriptive of characteristic firm and implied cost of capital. Data collection used quantitative techniques through annual report company period 2003 - 2007

For the sampling, the writer used non probability sampling with purposive sampling technique. The population is manufactur company and variety industry company. The writer use 14 sample of manufacture company and 14 sample of variety industry company.

In this study, we propose an alternative technique for estimating the cost of capital. Specially, we use discounted residual income model. When we examine firms characteristic that are systematically related to the estimates of cost of capital. It is shown that a firm's cost of capital function of its leverage firm value, leverage market, firm size and earning variabilities. The findings suggest that these variables can be exploited to estimate future cost of capital in Indonesia

In the case of manufacturing industry, these variables explain around 15.6% of the cross sectional variation in the future implied cost of capital and in the case of variety industry these variables explain around 29.4%. The findings suggest that these variables can be exploited to estimate cost of capital in Indonesia.