

ABSTRACT

This study aims to analyze the effect of the disclosure of Key Audit Matters stipulated in Auditing Standard 701 on the cost of debt. The dependent variable in this study is the cost of debt. The independent variables in this study are the number of topics disclosed in the KAMs, the length of the KAMs measured by the natural logarithm of the total number of words of the KAM text, the readability of the KAM measured by the FLESCH and FOG Index scores, and the entity-level risk disclosed in the KAM. In addition, the control variables used include company size, ROA, leverage, ICR, KAP, and growth.

The samples used in this study are non-financial companies listed on the Indonesia Stock Exchange during the period 2022-2023. Sample selection using purposive sampling method. The total number of final samples used in this study was 504 company year observations. The analysis method used is multiple linear regression analysis.

The results of this study indicate that the readability of KAM as measured by the FLESCH score and FOG Index has a significant negative effect on the cost of debt. The number of KAMs, length of KAMs, and entity-level risk disclosed in KAM do not significantly affect the cost of debt. In addition, leverage, ICR, KAP have a significant effect on the cost of debt.

Keywords: Cost of Debt, Key Audit Matters, number of KAMs, length of KAMs, readability of KAM, entity-level risk disclosed in the KAM, independent auditor's report.