

ABSTRACT

This study aims to examine the impact of auditor quality and firm characteristics on cost of debt. Auditor quality in this study was measured by grouping the big four auditor and non-big four auditor. Firm characteristics used in this study are firm age, profitability, leverage, and firm size.

The population in this study are all companies listed on the Indonesia Stock Exchange in 2011. Sampling method used in this study is purposive sampling method. Criteria are determined to be relevant to the purpose of the research is the company publishes a complete financial statement in 2011 and the company has interest expense in the current period. The sample used in this study were 152 companies. The analysis technique used is multiple regression.

The results of this study indicate that audit quality, firm age, profitability, leverage, and firm size have positively significant influenced on probablity of cost of debt.

Keywords: *cost of debt, auditor quality, firm characteristics*