

## ***ABSTRACT***

*Audit report is the medium of communication between auditors and the users of financial statements. Audit report consist of auditor's opinion that assess the fairness of the company's financial statement presentation. The information in audit report can be used as the consideration for decision making by investors.*

*This study aims to analyze the effect of unqualified opinion with explanatory paragraph and qualified opinion on share prices and share trading volume. This research used event study to see market reaction during ten days before and ten days after announcement and using paired samples t-test for statistical test with significances  $\alpha=5\%$ . The sample were manufacture companies that have audit report with unqualified opinion with explanatory paragraph and audit report with qualified opinion that listed in Indonesia Stock Exchange in the period 2004-2010.*

*The results showed that there was no significant differences on share price which was measured by average abnormal return before and after the announcement of audit report with unqualified opinion with explanatory paragraph and audit report with qualified opinion . Different result showed that there was significant different on share trading volume which was measured by average trading volume activity before and after the announcement of audit report with unqualified opinion with explanatory paragraph and audit report with qualified opinion. The amount of average abnormal return dan average trading activity after the announcement were bigger than the amount before the announcement, showed that the investors considered the announcement of audit report with unqualified opinion with explanatory paragraph and audit report with qualified opinion as a good news.*

*Keywords: Audit report with unqualified opinion with explanatory paragraph, audit report with qualified opinion, event study, share price, abnormal return, average abnormal return, share trading volume, trading volume activity, average trading volume activity*