

## **ABSTRACT**

*This study aims to analyze the influence of audit firm size and industry specialization auditor on audit quality by the level of litigation risk as a moderating variable on the manufacturing companies listed on the Indonesia Stock Exchange in 2008 until 2010. Audit firm size and audit firm industry specialization auditor as the independent variables and the quality audit that proxied by discretionary accrual as the dependent variable.*

*Data from this study were obtained from financial statements of manufacturing firms drawn from the Indonesia Stock Exchange and Indonesian Capital Market Directory. The population of this study are manufacturing companies listed on the Indonesia Stock Exchange during the years 2008-2010 amounting to 450 companies. Determination of the sample using purposive sampling method. Type of data are secondary data in the form of financial statement as the media manufacturing companies. Data analysis tool is analysis of Covariances with the computer program SPSS version 19.*

*The results of this study indicate that audit firm size that proxied by BIG 4 auditor, are moderated by the level of litigation risk provide higher audit quality than non BIG 4 auditors while audit firm industry specialization are not moderated by the level of litigation risk. Audit firm industry specialization do not necessarily provide higher audit quality than audit firm non industry specialization.*

**Keywords:** *Audit Firm Size, Audit Firm Industry Specialization , Litigation Risk, Discretionary Accrual, Audit Quality*