ABSTRACT

This study aims to examine the effect of Net Realized Income of APBD and cash flow information from operating activity, investing activity, and financing activity on Indonesian local government capital budgeting using classification of financial capacity based on Permendagri Nomor 21 Tahun 2007. Local government's financial capacity is measured by calculate local government's global revenues minus salary and allowances of employee.

This study is a population study that using all of local government (regency) in Indonesia with the qualification they have Financial Statement for the year 2011 that have been audited by Supreme Audit Board of The Republic of Indonesia (BPK RI) and also have Net Realized Income (SiLPA) of APBD in their financial statement. Numbers of local government that used on this study are 393 local governments. The data which is used is the secondary data obtained from Semester's Audit Results Summary (IHPS) of BPK RI year 2012. The statistic method that used on this study is multiple regression using sets of SPSS (Statistical Package for The Social) version 21.0.

The result of this study shows that the information of Net Realized Income of APBD and cash flow information from operating activity, investing activity, and financing activity have significant effect on capital budgeting for "b" local government cluster. On the "a" local government cluster, only cash flow from financing activity that have no significant effect on capital budgeting. On the "c" local government, there are no variables have effect on capital budgeting partially.

Keywords : **Net Realized Income of APBD, Cash Flow from Operating Activity, Cash Flow from Investing Activity, Cash Flow from Financing Activity, Capital Budgeting, Local Government Cluster.**