

## **ABSTRACT**

*The objective of this study is to examine the effect of intellectual capital disclosures on cost of equity capital. In this research, cost of equity capital was measured by Ohlson model which had been modified by Random Walk Model, while Li et al.(2008) index were used to measure intellectual capital disclosures. This study used purposive sampling method in data collection.*

*Data were collected using secondary data of 221 nonfinancial companies that published annual report at IDX website in 2009-2010. This study used Ordinary Least Square (OLS) regression for the data analysis. The result showed that intellectual capital disclosures had no significant effect on cost of equity capital.*

*This study also used four control variables, size, leverage, beta, and market to book value ratio. From four selected control variables, size had positive significant effect on cost of equity capital, and beta had negative significant effect on cost of equity capital. Variables leverage and market to book value ratio had no effect on cost of equity capital.*

*Key words: cost of equity capital, intellectual capital disclosure, size, leverage, beta, market to book value ratio, Ohlson Model.*