

## **ABSTRACT**

*The purpose of the research is to find the influence of earnings management on cost of equity capital to be based on and developed from the research conducted by Utami (2005) to find out empirical evidence of the influence that earnings management had positive significant influence on cost of equity capital. Earnings management was measured by ratio of working capital accruals with sales, and cost of equity capital was estimated by Ohlson model. The research takes samples from manufacturing sector at the Indonesia Stock Exchange during period 2008-2009 of the following criteria is the annual report ended 31 December, and book value of equity is positive. This data to obtainable with purposive sampling and uses double regression analyze method.*

*Based on double regression analyze method, the results of this research show that earnings management had positive significant influence on cost of equity capital. This indicating that investor has anticipated rightly about the information to find out earnings management. Empirical the research can be concluded that if company's earnings are getting bigger, then it can raise the interest of investor to invest his/her fund to that company.*

*Keywords: Earnings Management, Cost of Equity Capital*