

## **ABSTRACT**

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### **THE IMPACT OF SIZE/REPUTATION OF PUBLIC ACCOUNTING FIRMS TOWARDS EARNINGS INFORMATIVENESS: IS BIG 4 DIFFERENT FROM MID TIER?**

(xv + 52 pages : 1 figure ; 9 tables ; 5 appendices)

Does the size/reputation of public accounting firms affect investors' response toward stock returns? Is Big 4 different from Mid Tier? This research is trying to give empirical evidence whether the size/reputation of public accounting firms has impact towards earnings informativeness measured by Earnings Response Coefficient (ERC). ERC itself measures stock market responsiveness to earnings information. Earnings information is important for investors to make investment decision. Opinion issued by an auditor will add client's confidence towards earnings information reported by the company. Since large audit firms (Big 4) have more resources and motivation to keep their reputation, the earnings information is expected to be more credible. Because of the exceptional growth in the size of Mid Tier clients portfolios and encouragement to use Mid Tier as an alternative to Big 4, this research will also examine how companies audited by Big 4 and Mid Tier differ in ERC. Using 137 samples of public companies listed in IDX from 2004-2008, this research found no evidence of the impact of size/reputation of public accounting firms towards ERC. Interestingly, there is also no evidence regarding the difference in ERC of companies audited by Big 4 and Mid Tier.

Reference: 43 (1976 – 2012)

Keywords: Earnings Response Coefficient, Size/Reputation of Public Accounting Firms, Big 4, Mid Tier