

## **ACKNOWLEDGEMENT**

Praise to the Lord Almighty for His blessings, guidance, love, mercy, wisdom and grace in supporting the writer to write the thesis whose title is “Effect of Partner Tenure and Audit Firm Tenure on Cost of Equity” to be written well. This thesis is written based on the writer’s knowledge that has been developing throughout three and half years of studies in Universitas Pelita Harapan. The thesis is written for the purpose of completing Bachelor in Accountancy at the Business School of Universitas Pelita Harapan.

Completing this thesis is possible in faith through prayer and the supports from the people will be mentioned later. The writer would like to thank to those people whose names will be written below :

1. Gracia Shinta S. Ugut, MBA., Ph.D., as the Dean of Faculty of Economics, Universitas Pelita Harapan.
2. Dra. Wijaya Triwacana Ningrum, S.E., M.Si., Ak., CMA., CSRS., CSRA., as the Head of Study Program of Accounting.
3. Dr. Antonius Herusetya, Ak., M.M., CA., as the supervisor of this thesis for his time, guidance, patience, feedbacks and his outstanding knowledge which are helpful for the writer’s insight on completing this thesis.
4. Mr. Tanggor Sihombing, Mr. Eduard Naibaho, Mrs. Sandra Inawaty, Mr. Clint Tetelepta, Mr. Aloysius Harry Mukti, Mr. Ricky Mulyana, Mr. Septian Bayu Kristanto, Mr. Danet Patria, Mr. Ferdinand Butarbutar, Ms. Liza Handoko, Mr. Rajesh Singh and all other lecturers whose name have not been mentioned for

the shared knowledge for three and half years of this undergraduate studies in Universitas Pelita Harapan.

5. My teammates, Esteti Handayani Hia and Sindi Oktaviana Sari whose thesis topics possess the same dependent variable, for cooperation in helping and guiding to collect the data related to the dependent variable of each of the writer's thesis topic and to operate STATA Software.
6. My friends, Fernanda Thalia Setiawan, Thalia Kohar, Richard Widjaja, Debby Rorimpandey, Andrea C. Hadisurja and Michael Leonard Djaja who are under the same thesis supervisor; for assisting and guiding the writer in collecting the data relating to certain control variables.
7. My classmates in RMIT Accounting, Bryan Jonathan Purnama, Bella Anastasia Montolalu, Calista Janie, Michelle Tjahyadi Sugianto, Lydia Lingkan Sibarani, Baek Kyeongrim and Gracia Askim for the support throughout the writer's university journey.

Writer realizes that this thesis is still far from perfection, and by that the writer would gladly receive any critics and suggestions, which would be useful for writer. Writer hopes that this thesis may be put in good use.

Jakarta, 3 February 2021

Writer

## TABLE OF CONTENT

<b>TITLE .....</b>	
<b>FINAL ASSIGNMENT STATEMENT .....</b>	
<b>THESIS APPROVAL .....</b>	
<b>THESIS DEFENSE COMMITTEE .....</b>	
<b>ABSTRACTS.....</b>	v
<b>ACKNOWLEDGEMENT .....</b>	vi
<b>INTRODUCTION.....</b>	1
1.1    Background .....	1
1.2    Problem Statement.....	7
1.3    Objective of the Study.....	8
1.4    Purpose of the Study .....	8
1.5    Scope of the Study.....	9
1.6    Systematic Discussion .....	9
<b>CHAPTER II.....</b>	11
<b>THEORITICAL FRAMEWORK AND HYPOTHESIS.....</b>	11
<b>DEVELOPMENT .....</b>	11
2.1    Literature Review .....	11
2.1.1    Agency Theory.....	11
2.1.2    Audit Quality .....	13
2.1.2.1    Audit Tenure .....	16
2.1.3    Cost of Capital .....	26
2.2    Previous Research.....	31
2.3    Conceptual Framework.....	38
2.4    Hypothesis Development .....	39
2.4.1    The Effect of Partner Tenure on Cost of Equity .....	39
2.4.2    The Effect of Audit Firm Tenure on Cost of Equity .....	43

<b>CHAPTER III .....</b>	<b>46</b>
<b>METHODOLOGY .....</b>	<b>46</b>
<b>3.1 Population, Sample and Source of Data.....</b>	<b>46</b>
<b>3.2 Method of Data Collection .....</b>	<b>47</b>
<b>3.3 Empirical Model.....</b>	<b>48</b>
<b>3.4 Operational Variable .....</b>	<b>50</b>
3.4.1 Dependent Variable (Cost of Equity).....	50
3.4.2 Independent Variables.....	54
3.4.3 Control Variables .....	56
<b>3.5 Method of Data Analysis .....</b>	<b>66</b>
3.5.1 Descriptive Statistics.....	66
3.5.2 Classical Assumption Test .....	66
3.5.3 Correlation Analysis .....	67
3.5.4 Multicollinearity Test.....	68
3.5.5 Heteroskedasticity Test.....	69
3.5.6 Hypothesis Test.....	70
<b>CHAPTER IV .....</b>	<b>73</b>
<b>RESULTS AND DISCUSSION .....</b>	<b>73</b>
<b>4.1 Descriptions of Sample Used .....</b>	<b>73</b>
<b>4.2 The Results of the Research .....</b>	<b>76</b>
4.2.1 Descriptive Statistics.....	76
4.2.2 Correlation Analysis .....	79
4.2.3 Classical Assumption Test .....	88
4.2.4 Hypothesis Test.....	91
<b>CHAPTER V .....</b>	<b>109</b>
<b>CONCLUSION AND RECOMMENDATION .....</b>	<b>109</b>
<b>5.1 Conclusion .....</b>	<b>109</b>
<b>5.2 Research Limitation.....</b>	<b>113</b>
<b>5.3 Recommendations .....</b>	<b>114</b>
<b>REFERENCES.....</b>	
<b>APPENDIX .....</b>	