PREFACE

By the grace and blessing of the Almighty God, the writer has completed the final paper entitled: **"THE EFFECT OF LEVERAGE, FIRM SIZE AND EARNING PERSISTENCE ON EARNING RESPONSE COEFFICIENT WITH PROFITABILITY AS MODERATING VARIABLE ON LQ45 COMPANIES LISTED IN INDONESIA STOCK EXCHANGE".**

This final paper is written as partial fulfillment of the academic requirements to obtain the degree of *Sarjana Akuntansi* at Accounting Study Program, Faculty of Economics and Business, Universitas Pelita Harapan Medan Campus.

The writer would like to express his/her sincere gratitude to the following people for their valuable contributions in assisting and supporting the writer from the beginning until the completion of this final paper:

1. Dr. (Hon). Jonathan L. Parapak, M. Eng. Sc., as the Rector of Universitas Pelita Harapan
2. Mr. Arifin, SE, MM, MBA, CBV, CMA, CSMA as the Associate Dean of Faculty of Economics and Business UPH Medan Campus
3. Yenni Martok, BA (Hons.), SE, MM, MBA, as the Department Chair of Accounting Study Program UPH Medan Campus
4. Yenni Martok, BA (Hons.), SE, MM, MBA, as the Final Paper Advisor who has guided and given valuable instructions and guidance for the completion of this final paper

5. All UPH Medan Campus lecturers who have transferred knowledge from the first till the last semester during the entire study period at UPH Medan Campus
6. All UPH Medan Campus administrative staff who have assisted in the writing of this final paper
7. The Director of Indonesia Stock Exchange, Mr. Inarno Djajadi and their team for the opportunity to do the research and provision of valuable information and data needed
8. My beloved parents who have always motivated and supported in completing this *skripsi*
9. My senior & friend, Peter Steve and Angie Florencia Sukri, who have encouraged and supported in completing this *skripsi*
10. Everyone who has provided suggestions, critics, encouragement and motivation to finish this final paper

Finally, the writer acknowledges that there may still be inaccuracies and errors in this final paper. Therefore, constructive comments as well as inputs from the readers aimed at the improvement of this final paper content are welcomed and highly appreciated.

Medan, May 9, 2021

The Writer,

Feric Chrisiensen

03012170025

TABLE OF CONTENTS

page

COVER PAGE

TITLE PAGE

DECLARATION OF AUTHENTICITY OF FINAL PAPER AND UPLOAD AGREEMENT ii

APPROVAL PAGE BY FINAL PAPER ADVISOR iv

APPROVAL PAGE BY FINAL PAPER DEFENSE COMMITTEE v

ABSTRACT vi

ABSTRAK vii

PREFACE viii

TABLE OF CONTENTS x

LIST OF FIGURES xiv

LIST OF TABLES xv

LIST OF APPENDICES xvi

CHAPTER I INTRODUCTION

1.1 Background of The Study 1

1.2 Problem Limitation 6

1.3 Problem Formulation 6

1.4 Objective of The Research 7

1.5 Benefit of The Research 8

1.5.1 Theoretical Benefit 8

1.5.2 Practical Benefit 8

CHAPTER II LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1 Theoretical Background 10

2.1.1 Signaling Theory 10

2.1.2 Efficient Market Theory 11

2.1.3 Pecking Order Theory 12

2.1.4 Earning Response Coefficient 13

2.1.5 Indicator of Earning Response Coefficient 14

2.1.6 Capital Structure (Leverage) 16

2.1.7 Indicator of Leverage 18

2.1.8 Firm Size 18

2.1.9 Indicator of Firm Size 19

2.1.10 Earning Persistence 20

2.1.11 Indicator of Earning Persistence 21

2.1.12 Profitability 22

2.1.13 Indicator of Profitability 22

2.2 Previous Research 23

2.3 Hypothesis Development 32

2.3.1 Leverage on Earning Response Coefficient 33

2.3.2 Firm Size on Earning Response Coefficient 33

2.3.3 Earning Persistence on Earning Response Coefficient 34

2.3.4 Leverage, Firm Size, Earning Persistence on Earning Response Coefficient with Profitability as moderating variable 34

2.4 Research Model 36

2.5 Framework of Thinking 37

CHAPTER III RESEARCH METHODOLOGY

3.1 Research Design 38

3.2 Population and Sample 38

3.3 Data Collection Method 41

3.4 Operational Definition and Variable Measurement 42

3.4.1 Independent Variable 42

3.4.2 Dependent Variable 43

3.4.3 Moderating Variable 44

3.5 Data Analysis Method 45

3.5.1 Descriptive Statistics 46

3.5.2 Classical Assumption Test 46

3.5.2.1 Normality Test 46

3.5.2.2 Multicollinearity Test 48

3.5.2.3 Heteroscedasticity Test 49

3.5.2.4 Autocorrelation Test 50

3.5.3 Hypothesis Testing 51

3.5.3.1 Multiple Linear Regression Analysis 51

3.5.3.2 Moderated Regression Analysis 52

3.5.3.3 Partial Hypothesis Testing (T-test) 54

3.5.3.4 Simultaneous Hypothesis Testing (F-test) 55

3.5.3.5 Coefficient of Determination (Adjusted R^2) 55

CHAPTER IV RESEARCH RESULT AND DISCUSSION

4.1 General View of "Research Object" 57

4.2 Research Result 59

4.2.1 Descriptive Statistics 59
4.2.2 Result of Data Quality Testing 61
4.2.2.1 Normality Test 61
4.2.2.2 Multicollinearity Test 63
4.2.2.3 Heteroscedasticity Test 64
4.2.2.4 Autocorrelation Test 65
4.2.3 Results of Hypothesis Testing 67
4.2.3.1 Multiple Linear Regression 67
4.2.3.2 Moderated Regression Analysis 69
4.2.3.3 Partial Hypothesis Testing (T-test) 72
4.2.3.4 Simultaneous Hypothesis Testing (F-test) 74
4.2.3.5 Coefficient of Determination (adjusted R^2) 74
4.3 Discussion 75
4.3.1 Leverage 76
4.3.2 Firm Size 77
4.3.3 Earning Persistence 79
4.3.4 Profitability 80

CHAPTER V CONCLUSION

5.1 Conclusion 82
5.2 Recommendation 84

REFERENCES 86

LIST OF FIGURES

page

Figure 2. 1 Research Model 36
Figure 2. 2 Framework of Thinking 37
Figure 4. 1 Normality Test Histogram 62
Figure 4. 2 Normality Test P-Plot 63
Figure 4. 3 Heteroscedasticity Test using Scatter Plot 65

LIST OF TABLES

pages

Table 1. 1 Phenomena Table 4
Table 2. 1 Summary of Previous Research 31
Table 3. 1 Research Sample 39
Table 3. 2 List of Sample 40
Table 3. 3 Operational Variable Definition 44
Table 3. 4 Autocorrelation Decision Results 51
Table 3. 5 Type of Moderating Variable 54
Table 4. 1 Descriptive Statistics 59
Table 4. 2 Normality Test Result using One-Sample Kolmogorov-Smirov 61
Table 4. 3 Multicollinearity Test 63
Table 4. 4 Heteroscedasticity Test using Park Test 64
Table 4. 5 Autocorrelation Test using Durbin Watson Test 66
Table 4. 6 Autocorrelation Test using Cochrane-Orcutt 66
Table 4. 7 Multiple Linear Regression Analysis 67
Table 4. 8 Moderated Regression Analysis on Leverage (First Step) 69
Table 4. 9 Moderated Regression Analysis on Leverage (Second Step) 70
Table 4. 10 Moderated Regression Analysis on Firm Size (First Step) 70
Table 4. 11 Moderated Regression Analysis on Firm Size (Second Step) 71
Table 4. 12 Moderated Regression Analysis on Earning Persistence (First Step) 71
Table 4. 13 Moderated Regression Analysis on Earning Persistence (Second Step) 72
Table 4. 14 Partial Hypothesis Testing (T-test) 73
Table 4. 15 Simultaneous Hypothesis Testing (F-test) 74
Table 4. 16 Coefficient of Determination (adjusted R^2) 75

LIST OF APPENDICES

APPENDIX A: LIST OF POPULATION AND SAMPLE OF LQ45 INDEX COMPANIES LISTED IN INDONESIA STOCK EXCHANGE (IDX) FOR THE YEAR 2017-2019 ..... A-1
APPENDIX B: LIST OF LQ45 INDEX COMPANIES STOCK PRICE FROM 2017-2019 ..... B-1
APPENDIX C: LIST OF CUMULATIVE STOCK PRICE INDEX FOR LQ45 INDEX COMPANIES FROM 2017-2019 ..... C-1
APPENDIX D: CALCULATION OF ACTUAL COMPANY RETURN FROM 2017-2019 ..... D-1
APPENDIX E: CALCULATION OF DAILY MARKET RETURN FROM 2017-2019 ..... E-1
APPENDIX F: CALCULATION OF CUMULATIVE ABNORMAL RETURN FROM 2017-2019 ..... F-1
APPENDIX G: CALCULATION OF UNEXPECTED EARNINGS FROM 2017-2019 ..... G-1
APPENDIX H: CONSTANTA VALUE FROM REGRESSION BETWEEN CAR AND UE FROM 2017-2019 ..... H-1
APPENDIX I: CALCULATION OF EARNING RESPONSE COEFFICIENT FROM 2017-2019 ..... I-1
APPENDIX J: CALCULATION OF FIRM SIZE FROM 2017-2019 ..... J-1
APPENDIX K: CALCULATION OF LEVERAGE FROM 2017-2019 ..... K-1
APPENDIX L: CALCULATION OF EARNING PERSISTENCE FROM 2017-2019 ..... L-1
APPENDIX M: CALCULATION OF PROFITABILITY FROM 2017-2019 ..... M-1
APPENDIX N: SUMMARY OF INDEPENDENT VARIABLE AND DEPENDENT VARIABLE FROM 2017-2019 ..... N-1
APPENDIX O: SPSS OUTPUT RESULTS (BEFORE TRANSFORMATION & OUTLIERS) O-1

APPENDIX P: T-DISTRIBUTION TABLE P-1
APPENDIX Q: F-DISTRIBUTION TABLE..... Q-1
APPENDIX R: DURBIN-WATSON SIGNIFICANCE TABLE..... R-1